Chapter

International Market Segmentation across Consumption and Communication Categories: Identity, Demographics, and Consumer Decisions and Online Habits

Rouxelle de Villiers, Pornchanoke Tipgomut and Drew Franklin

Abstract

In this chapter we will discuss the different approaches to market segmentation and selection and explore how the selection process influences the company's culture, its brand positioning, and how it is impacted upon by the overall marketing and communication strategy and vice versa. Some questions this chapter considers and discusses are: Which segments should firms' international marketing activities (including financial, human resources, and the firm's capabilities) focus on? How do multinationals decide if segmentation efforts are effective? Finally, we will explore how organizations[1] can monitor and control the various activities and outcomes, in order to ensure sustainable competitive advantage(s) in a highly competitive marketplace and online marketspace.

Keywords: brand alignment, consumption categories, niche communication, positioning, selection, SCA, segmentation

[1] Note that we use the terms "firms,"" organizations," "multi-nationals," and "businesses" interchangeably in this chapter. We do not refer to the vendors' legal ownership structures when we use these terms but merely wish to differentiate the collection of individuals jointly called vendors or sellers, from individual, nonaligned entrepreneurs or small business owners. Although we use the term "marketers" for the marketing professionals in these firms, they might have alternative official titles and roles such as CEO, VP Marketing, sales manager, business development manager, customer acquisition and retention officers, sellers, etc.

1. Introduction

1.1 Marketing as a process to ensure needs satisfaction

The global marketplace is highly competitive. In these hyper-competitive marketplace manufacturers, distributors and marketers trade goods and services for money, time, testimonials, information, and referrals from consumers across country borders. For organizations (representing manufacturers and other stakeholders in the distribution and sales of products) to most suitably develop/focus their product and service offerings on satisfying the unique needs and demands of a variety of prospects and consumers, marketers divide the market into groups, called segments. Understanding the needs and wants of a select group of consumers is imperative to sustainable business success in this hyper-competitive space. Marketing is the process of identifying and studying consumers' dynamic needs, thus enabling marketers to create, capture, and communicate offerings that represent value to customers, clients, and society at large. Marketing communication aims to deliver value exchange between the marketing entities and consumers [1]. The exchange between an organization (a person, firms, retailers, wholesalers, NGOs, governments, associations, industries) and a consumer (individual customer or business buyer) will only take place if the offering (product, service, idea, knowledge, information, experience) is seen as "of value" to the prospective buyer(s). Also, an acceptable level of trust needs to exist between the parties involved in the exchange. Therefore, good marketing communication that delivers an exchange that satisfies both parties (buyer, seller, and other stakeholders), requires a clear vision, thoughtful planning, and well-targeted activities. To offer genuine value to current and future customers, the overall market is segmented into categories of consumers with fairly similar, homogeneous needs and wants, similar access points and of whom engage with similar communication channels to gather product knowledge and information. Several segmentation models exist, and we will discuss those later in this chapter.

> *"Marketing is aimed at satisfying customer needs and wants".*

Consumers are only likely to purchase products and services (combined we call them offerings) that satisfy conscious needs and wants or when awareness of offerings results in impulsive buying due to perceived value or perceived benefits. These needs and wants become demands when consumers have both the intention to purchase an offering *and* the money to turn their wants into a purchase—often of a very specific (sometimes branded) product or service. Needs may range from physiological needs like thirst and hunger to psychological needs such as acceptance to a particular group. Hedonic needs and desires such as aspiring to be recognized as a top achiever may also impact consumers' decisions. For example, some consumers may buy a leather case for its functionality durability (functional needs), while others may buy a leather briefcase to fit into their professional dress code (social needs), while another group of briefcase buyers may simply buy it for the implied status of and recognition that comes with carrying an expensive (a hedonic need to indicate status), Louis Vuitton briefcase.

> *"Two basic types of information needs: functional needs and hedonic needs. Utilitarian needs are those linked to the function of the product, service, or good*

> *being purchased (e.g., a lawnmower must cut tough tufts of grass well). Hedonic needs refer to the emotional and psychological needs of the various consumers (e.g., fantasies, ambitions, aspirations)".*

1.2 Segmenting, targeting, and positioning in the consumer market

A segmenting, targeting, and positioning (STP) plan starts with the organizations' overall strategy. A clear understanding and articulation of the organizations' mission and objectives are essential to a worthy-to-follow STP. As an example, the Swedish car manufacturer Volvo's mission is "Our solutions to global challenges are driven by our mission to drive prosperity through transport solutions" [2]. Further, an investigation into and adaptation of the plan to suit the context within which it competes is necessary.

> *"Understanding the environment within which the firm operates is called contextual intelligence = CiQ".*

This contextual intelligence is also called a SWOT analysis. A SWOT analysis is based on evidence about the strengths, weaknesses of the resources, capabilities, and competencies within the organization and the opportunities and threats of the political, economic, social, technological, legal, and natural environment external to the organization [3]. For example, marketers bringing out an electronic vehicle (EV) will benefit from knowing if the government will support the necessary hosts of new charging stations; what additional features consumers may expect; what consumers' attitudes are towards environmental issues as they relate to EVs; and what pricing and promotion strategies competitors are likely to adopt these innovative cars [3].

Segmenting the market into niche groups in order to identify large and profitable market segments is imperative to new firms and new products, before many competitors select their preferred market segments. *Coke No Sugar* CNS (no sugar, original taste, also called *ZERO* in some markets) offered Coca-Cola an opportunity to market ZERO to a large new market segment, namely, health-conscious men [4]. But *Coca-Cola's* mainstream competitor, *Pepsi*, and other smaller competitors (e.g., diet *Schweppe*s), responded with similar no-sugar, low-calorie fizzy drinks such as *Pepsi Max* that may potentially turn this opportunity into a threat.

> *"Segmentation is a way to cut the larger population into smaller groups or categories of people with similar needs, wants, and demands. Adept marketers also consider lifestyles (value of the product to their way of life) and product usage (how compatible the product is to their way of life and other purchasing choices)".*

So another tool in the marketers' toolkit to create awareness, interest, and desire for their product offering[2] (the solution for a consumers' problem) in order to create actions (sales, reviews, membership, etc.) is to diversify the offering to suit different market segments. Similarly, organizations will need to decide how to diversify the marketing channels to target (focus resources and efforts) each different audience (niche segment) they wish to attract and, ultimately, engage with

[2] AIDA model = attention, interest, desire, and action

as loyal customers (firms move customers from prospects to engaged customers and ultimately to loyal clients—the latter is also called fans or supporters). With the growth of social media (communication facilitated by online and mobile media) as an information search and communication channel for consumers, it is fast becoming an integral component of any integrated marketing communication (IMC) plan. Marketers apply the 4-E framework to think about the objectives of marketing objectives, aimed at various preselected and highly focused audiences: E_1 = Excite, E_2 = Educate, E_3 = Experience, and E_4 = Engage (**Figure 1**).

To excite a prospective buyer or consumer, the offer has to be relevant to them and be seen to be of some value, in other words, a worthy solution to some problem or issue they perceive (e.g., a problem could be that they want to upgrade their phone to a later model with a better camera and a longer lifetime for the battery of their mobile device). The relevancy can be improved by studying the needs of a particular target audience and personalizing the firm's offering to suit their needs—hopefully, better than those offered by direct and indirect competitors. (Indirect competitors solve the same problem, but not necessarily with the same product. For example, *Disprin* can reduce headaches, as does *Advil* and *Tylenol.* But an indirect competitor might be a physiotherapy session or even acupuncture as they may also reduce the customer's headache, but they are not chemical medicines in tablet form and dispensed over the counter.) To personalize[3] offers, insights are gained using online data gathering and analysis tools such as *Google Analytics*, a listening system such as *Radian6,* or current customer information from databases such as *Act* or *Salesforce* CRM [5].

> *"Marketing is an exchange of value between customers and marketers. This exchange will only take place if there are trust and value between the two parties of the exchange. To personalize or customize an offer is likely to lead to better alignment of perceived and real value and therefore more sales".*

One way to engage various audiences is by positioning your offering or brand as a particular solution, so those prospective buyers will think of your brand as a solution, or particularly valuable, relative to their needs. A firm's positioning within a target audience's mind is how and what they think about your brand when your communication cuts through the various channels to reach them and more importantly why the marketers' offerings are going to meet their respective needs better than other competitive offerings. For example, Volvo's core activity is the production, distribution, and sale of trucks, busses, and construction equipment [2]. Volvo is positioned in the automotive market (buyer need: mobility) as a safe and reliable car, whereas *BMW* in contrast is positioned as a car for the driving enthusiast, with their well-known slogan "designed for driving pleasure" addressing these buyers' needs [6]. According to authors Al Ries and Jack Trout [7], creating a unique new category might be profitable, especially when a strong leading brand already occupies a large section of the market for that particular offer. A good example is K-Pop bands, who are taking the music market (even in the USA and Europe) by storm. *K-pop* is a genre of popular music originating in South Korea, aimed at young adults. The boy band *BTS* is a recent global phenomenon, using a combination of heavy pop, hip-hop, and emotional appeal with a sense of authenticity plus clever multimedia marketing to promote their albums. They are the first non-USA band

[3] Personalization (verb: to personalize) is the optimizing of experiences and messages to individuals themselves, not the grouping or sub-segment they belong to.

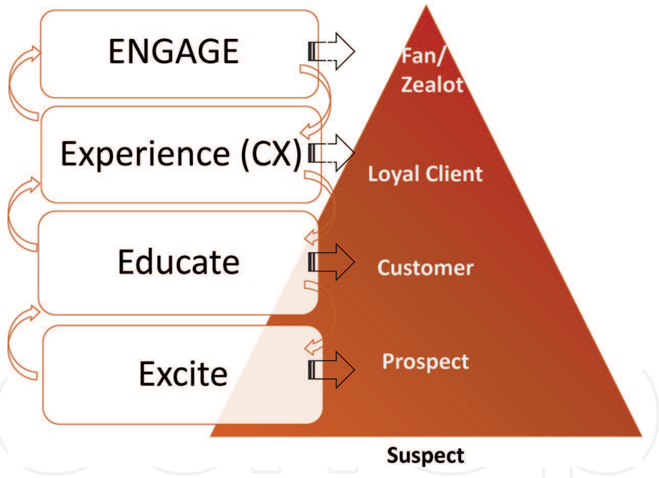


Figure 1.
The 4E-framework using integrated marketing communication channels.

to appear on the US Top 200 charts for a number of weeks. Their studio has created an entirely new music segment where they can rule the air waves (and young adults' hearts and minds). According to *Vox News* [8], the reason why *BTS* broke the culture barrier to succeed in the USA is market driven. "The answer lies in a combination of factors, and most of them are about change: the changing nature of K-pop's studio culture and the way "idols" are produced; changing depictions of masculinity in South Korea; changing ranges of acceptable expression in K-pop; and, above all, the approach BTS has taken to building its fan base and interacting with its fans."

A way marketers set the offering/product apart from competitors is to establish a new product category that differentiates them clearly and positions them in a new way with modified, improved benefits for certain customers. For example, marketers for a new soft drink, filled with additional vitamins and energy boosters (such as guarana, taurine, or caffeine), position the sugary soft drink as an "energy drink," in contrast to a regular soda. (e.g., *Red Bull* is the leading brand in the energy drinks category, whereas *Coke Cola* or *Pepsi* may be the leading soda in the same consumer market).

2. Market segmentation

Buyers differ in their needs, wants, and demands. Marketers further differentiate between buyers and segment them into smaller segments that are fairly homogeneous in terms of either needs, resources, locations, buying attitudes, or buying practices. The main purpose of segmentation activities are to ensure that potential and current customers can be reached more effectively and that communication, product, and service offerings can be matched to the unique needs of the different buyers. A market segment is defined as a group or category of customers who can be reached with a distinct and differentiated marketing mix. Marketers create segments likely to react somewhat similarly to a unique mix of the marketing and promotional tools available to the firm, namely, product, price, promotion, place, people, physical evidence, processes, and partners (influencers and stakeholders). In this section of the chapter, we will discuss four segmentation topics: segmenting consumer markets, segmenting business markets, segmenting international markets, and segmenting online market. In Section 3 we discuss the requirements

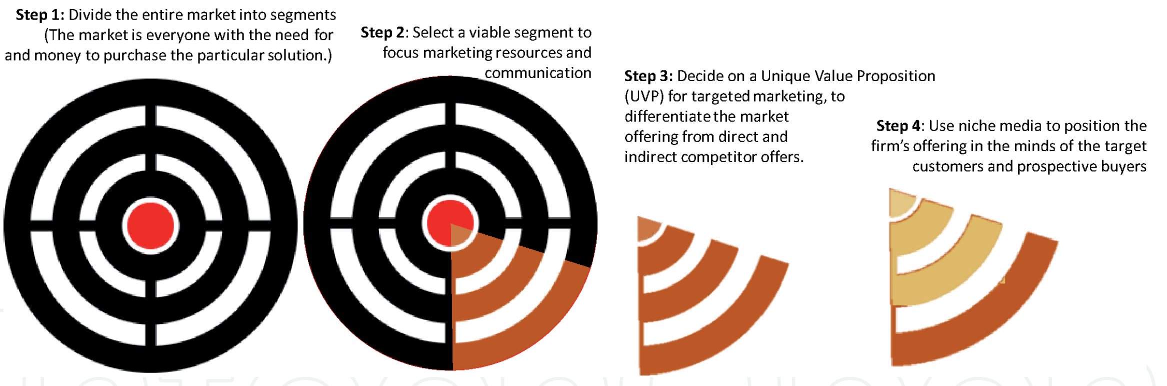


Figure 2.
Designing a market segmentation plan (MSP).

for effective market segmentation plans (MSPs) and how adept marketers monitor and control segment data to ensure sustainable competitive advantages (SCA) (**Figure 2**).

> *"The central question for any marketing plan is: WHO? Who will we serve? Who is most likely to perceive our offering as a valuable solution for a problem they might have? Who will have the money, authority, and desire to buy from our firm?"*

2.1 Segmenting consumer markets

2.1.1 Bases to create consumer categories: consumer segmentation

Consumers differ in many aspects, even when they share the same need or if they are searching for a solution to the same problem. Prospective buyers differ in what they are willing to pay (and other limited resources such as time, willingness, or ability to travel to buy an item) and buying attitude (these may vary from hostile to an active, engaged fan or supporter) to buying practices (impulse buying via shopping channels, low involvement shopping via online channels, unplanned buying in retail outlets, and high involvement searches of authoritative information before active retail searches of a very specific product or service).

As market segmentation involves subdividing the market into distinct subgroups that can be served with a distinct marketing mix [9], there are many ways to segment any market, but all of the segmentation approaches start with four basic questions. (1) Who has a need or desire for our service/product/offering (need or *desire*)? (2) Do they have the discretionary budget or money to afford the product or service in any of the various forms (or do we have to/wish to adapt our pricing strategy to serve the target audiences?) (*money*)? (3) Who is the decision-maker or has the authority to approve this purchase (*authority*)? If we concentrate efforts on these consumers as a group, (4) do they have distinctive needs, habits, and attitudes to be able to approach and serve them as a group or segment (*Distinctive*)? These four questions deliver the acronym **MADD**. The MADD model helps marketers to divide the larger market into groups of buyers who might require separate products or marketing and communication mixes. The last D in MADD provides some way to predict how the vendor can differentiate to offer distinguishable, relevant, and superior customer value.

There is no single approach to follow, but a range of likely segmentation opportunities are sought by considering main segmentation variables, i.e., geographic, demographic, psychographic, and behavioral characteristics. For *geographic segmentation,* a large population of prospective consumers is divided into clusters of geographical concentration, such as nations, states, provinces, regions, cities, and suburban, even down to postal code areas or neighborhoods. For some offerings, climate and city size or population density might be key to successful categorizing of prospective buyers. When marketers use *demographic segmentation* approaches, they consider clusters or groups based on gender, age, life cycle stage (unmarried, married, retired) and income, education, occupation, religion, and family life cycle (no children, with children, empty nest—married but adult children) [10]. For *psychographic segmentation*, different groups of different socioeconomic status or lifestyle groupings such as conventional family life, a fairer deal, basic needs, visible achievement, etc. are considered. A key indicator for lifestyle in a variety of products aimed at hedonic needs or addressing status and exclusivity desires of consumers is personality. Personality traits, such as ambitiousness, openness, conscientiousness, sophistication, compulsiveness, etc., are considered during marketers' segmentations decision. *Behavioral characteristics* include benefits sought (a wide range including service, quality, financing, performance); purchase occasion (regular or special occasions); usage rate (light, medium and heavy users); user status (non-user, orphan/past/lost users, first-time user, regular user); buyer readiness (unaware, aware, informed, interested, desirous, intention to buy); attitude towards the firms' offerings (hostile; negative, indifferent, positive, enthusiastic); and loyalty (skeptic, none/indifferent, mid-level, strong, supporter/fan). Lastly, these behavioral aspects may also be linked to the online behavior of prospective customers. This may range from their likelihood to accept innovations to their online search behavior and their willingness to search for information and follow influencers or to act as influencer offering reviews and promoting the firms' offerings to their circle of influence. We discuss online segmentation in more depth in Section 2.4 (**Table 1**).

2.1.2 Multivariate segmentation

It is most often necessary to use multiple geographic and demographic segmentation variables in combination with each other to ensure access, differentiation, and a useful model to predict behavioral responses to the firms' marketing communication and marketing efforts. To ensure precise and viable categories with fairly homogeneous needs and access channels, marketers use *multivariate segmentation*. For example *OurDeal*, a direct competitor of the well-established Groupon, that offers discount deals to the mass market, via *Channel Ten* TV, carefully uses both geographic and several demographic variables to focus their offers [11, 12]. *OurDeal* CEO and founder Julian Holman says: "TEN is the undisputed leader in the under-50s market and this means *OurDeal* merchants can extend the reach of the existing *OurDeal* online and social media outreach activity through the power of mass marketing television and online advertising."

2.1.3 In pursuit of 1:1 marketing

The ultimate aim of targeted marketing is highly customized offers and highly personalized marketing communication. Adept marketers suggest that personalized interactions nurture loyalty, greater engagement, and thus better return on marketing investments [13]. One-on-one (also written as 1:1 marketing) relies on understanding the unique preferences, behavior, and decisions of individual consumers and then adapting the marketing offers of the firm to ensure preference or choice in favor of the marketers' brand or offering. The personal tastes and preferences rely on very accurate knowledge of the consumer, to the point where the product and service are so highly adapted to the individual's need, that he/she feels

Segmentation variable	Typical breakdown	Examples and comments
Benefits sought	Marketers offer a range of benefits that may address a particular need, or range of needs, for consumers. These additional benefits may include, among others, services (e.g., B&B with or without washing and ironing), quality (e.g., leather or pleather bags), financing (e.g., car purchases with lease or 48-month financing options), and performance (cars with ABS and 4-wheel drive, DOHC functions)	*Qantas* offers a range of flight offers for air travelers, ranging from price-sensitive travelers (who are likely to fly no-frills economy class) to full-service extra comfort business class with more personal space and the ability to sleep flat *Colgate* offers "whitening," "herbal," "sensitive," and "fresh breath" toothpaste options to address the various benefits sought by consumers Mobile phone brand *Samsung* offers different screen sizes, lens quality and zooming ability, battery lifespan, and other features that relate to benefits sought, such as using the phone as a mobile office, as a camera, and in traveling long distances
Purchase occasion	The purchase occasion links to when the idea to buy occurs or when the actual purchase will be made OR when the product will be used	*Hallmark* cards for special holiday such as Valentine's day, Mothers' Day, and Christmas or "Get well" cards. *L'Oreal* makeup for everyday use; special events; evening glamor; sensitive skins; refreshing after late nights or illness
User rate	User rate refers to consumers that are either light, medium, or heavy users	In most industries, approximately 80% of the business comes from about 20% of consumers—in some cases as high as 95% comes from 15% of consumers. So, it is important to provide the products and services those clients buy. E.g., if an ice cream store (e.g., *Wendy's*) runs out of chocolate or vanilla flavor, they will quickly react by refilling these flavors, while, should a flavor like pistachio or rum run out, consumers are likely to simply purchase another favorite. In contrast, should a consumer want a chocolate ice cream, they may purchase from the store's closest competitor rather than select the next best option in the store
User status	Firms record user status on their CRM or customer databases to determine which type of marketing tactics they should employ to increase their share of wallet (% of business from this customer) and market share. Status varies from nonusers to potential, first-time, and regular users. Past, lapsed, or ex-users (also called orphans within the firm) are customers who may have bought from the firm but no longer do so	The marketing strategy of start-ups may be to attract new users and retain them as regular users, while well-established businesses are likely to pursue recurring business from existing customers, re-interest lapsed customers, and poach clients from competitors Many firms spend a large portion of their marketing budget and resources on retaining, cross-selling, and up-selling existing customers. This is a cost-effective strategy, since past purchasers have indicated their interest in and desire for the firm's offerings. Adept marketers also try to regain interest from lapsed or past users or determine why they have left, to see if the firm can improve their retention rate and keep current and future customers satisfied

Segmentation variable	Typical breakdown	Examples and comments
Buyer readiness	Consumers are at various stages of readiness: unaware of the firm's offering; aware; informed, interested, desirous; or already have the intention to buy—thus fully ready	When a new product is launched into the marketplace, for example, an electric vehicle (EV), say *Range Rover's* first priority is to raise awareness and educate consumers and potential buyers. In contrast, potential buyers may be very aware and highly informed of solar energy panels, but the uptake and purchase levels are low. Thus, entirely different marketing objectives and tactics are required to communicate with these various buyer-readiness segments
Loyalty status	The degree of loyalty to a brand and their offerings may vary substantially from a brand skeptic (negative feelings), to neutral, indifferent, or no-loyalty, to somewhat loyal (mid-level loyalty status), to the ideal brand loyalty status of fan/supporter/zealot	Consumers can be loyal to products (*Google Maps*) or brands (*Coca-Cola* and *Apple*) or a store (*Gap NY*), a sales person (*Ray White* estate agent), or a company (*General Life Insurance*). Loyalty patterns inform marketers about what appeals to a particular market segment, and by studying less-loyal customers, marketers can learn about competitive offers and how to adapt (or die). Marketers need to take great care when studying loyalty, since various contextual and personal factors such as convenience, price sensitivity, and product availability might impact loyalty
Attitude towards the firm's offerings	Consumers can be placed on a continuum of attitudes towards the firm's offerings, ranging from hostile, negative, and indifferent to positive and enthusiastic	Positive word-of-mouth (WOM) and electronic WOM (eWOM) are very valuable to marketers to build the brand reputation and perception of trust and value in prospective buyers. Many companies monitor the social media comments, rating, and reviews to determine the attitude towards the brand and its offerings. For example, *FlightStar* (a travel agency) may adapt its tours to exclude a particular hotel or destination if many consumers give bad reviews or leave negative comments on *Twitter or Facebook* about these particular hospitality providers
Online behavior	Online behavior ranges from the likelihood to accept innovations to online search behavior; willingness to search for information (level of involvement); to willingness to follow influencers and offer reviews; willingness to promote the firms' offerings to their personal circle of influence (called advocacy)	Marketers track individual's buying behavior, including payment methods, click-throughs, minutes spent on a page, and influencers followed, to improve search results and the likelihood to stumble upon and/or reach the firm's online advertisements or website. For example, a consumer opening a picture of a particular pair of jeans on *Pinterest* may be directed to *Levi's* (jeans) website or a similar denim jacket on *Levi's* site. A web-surfer looking at scenic pictures of a particular destination, say Italy, may be directed to travel products (e.g., *MSC Cruises* to Italy). But they might even be sent travel advertising at other times, when they are on sites unrelated to travel.

Table 1.
Behavioral segmentation approaches for consumer markets.

treated like the marketers' only customer (hence 1:1). In today's highly automated and digital environment, most of this information about habits and behavior, personal choices, and interests are collected during the various interactions with the firm. For example, online searches and clickthroughs are recorded on *Google Analytics*; personal interactions with salespeople are recorded on CRM databases; purchasing and payment habits are recorded via electronic funds transfer (EFT) systems. The firm learns the preferences and customizes a marketing plan for them. Ideally each interaction will be highly customized to suit each customer, but this highly unique customized marketing mix may be rather costly, and thus the firm will have to maximize benefit (to both parties) and minimize cost. So, after a 1:1 marketing strategy, the next best and most viable option is to create segments of customers with very similar needs, habits, decision and choice patterns, access points, and lifestyle choices. Access to consumers' eyes, ears, and hearts is at the crux of good marketing strategies. Which channels can marketers use to communicate with their most likely prospective buyers? What should the message say to convince them to trust the brand? What should the message be to persuade them of the value of our offer? How should the firm best approach prospective customers to ensure their action and loyalty? These are the questions marketers have to ask to consider creating fairly homogeneous groups of prospects, customers, and loyal supporters.

Companies who continually listen to customers, improve their offerings, and stay competitive and relevant are likely to succeed in the hyper-competitive marketplace. The CEO of *General Electric* (*GE*), Jack Welch, once said: "we have only two sources of competitive advantage: the ability to learn more about our customers faster than the competition and the ability to turn that learning into action faster than the competition" [14].

2.2 Segmenting business markets (B2B)

Business-to-business marketing or B2B marketing is the marketing of products and services to a variety of organizations such as companies, government bodies, nongovernmental organizations (NGOs), and not-for-profit (NFP) businesses (such as schools, hospitals, libraries) and other firms. These may vary from small, single-person entrepreneurial firms, to family-operated local companies, retail chains, and franchisors, to large global conglomerates with various purchasing agents and complex decision-making procedures. In B2B marketing, buyers use the products and services they purchase, either to produce their own products and service offering, or use them in their daily operations, or use them to sell to other B2B customers. A university buys copiers, computers, mobile phones, books, desks, filing cabinets, and carpet, among other products, for their daily operations, while a research laboratory may buy chemicals, gas for burners, benches, white coats, copiers, mobile phones, and computers. A car manufacturer like BMW purchases pre-made seats and carpeting and some instruments like car radios and electronic dashboards to ensure a high quality interior that is both pleasing and functional [15] and compatible with drivers' current habits. As an example, the new *BMW i3* includes *Apple CarPlay* in their dashboard to allow drivers' smartphones to interface with their vehicles, thus meeting current technology habits and needs of *BMW* drivers. As another example, we specifically chose mobile phones to appear in two of the aforementioned lists, since it could be argued that all B2B products are also consumer products, since they are bought to be used by consumers with specific needs and purposes for these products. When one of the employees of the university or research lab buys a mobile phone for personal use, it is classified as a consumer product. But, even for an identical phone, the product is considered a B2B product (phone), when an employee uses it for work purposes. Buying motives for a business customer, though, is likely to differ from that of the individual end-user (consumer). For example, a consultant using his/her phone as a mobile office is likely to have different needs such as large memory, long battery life, and various pre-loaded office management software. In contrast a private individual consumer may be more interested in the quality of the camera and the media speakers than those criteria listed by business customers.

Organizational buying behavior is a complex combination of individual decisions and organizational buying processes and procedures. Although the final purchasing budget may belong to the organization, individuals may be procurement officers, users, and people with the power to veto a decision. A key characteristic of B2B buying behavior is that several individuals from different backgrounds, with different buying motive and different levels of decision-making power, may be involved in the buying decision. For example, the purchasing process for the research laboratory to buy new laboratory equipment may involve the lab technicians (functional needs), the maintenance staff (for cleaning), accounting (for budgeting and price setting), a legal advisor (for servicing contracts), and a business unit manager (opportunities to optimize resources and competitive advantages). This group is called the decision-making unit (DMU). Therefore, B2B marketing is mainly about relationships of trust and transactions between organizations as represented by individuals within the two trading organizations. As said earlier, marketing is about creating or adding value for consumers. Similarly, B2B marketing is helping business customers to be successful by delivering superior value to enable the DMU to produce their own valued products and services for their internal and external customers. Thus, just like in consumer marketing, the success of B2B marketing depends largely on marketers' understanding of what DMUs value and ideally understanding what each individual role player in the DMU values and the style and channel each member of the DMU prefers.

Marketers who sell to large international companies, or conglomerates with several divisions, business units (BUs), or plants, may subdivide the large customer as a set of sub-segments. In this case, the different SBUs with different needs and different buying behavior can be clumped together as segments, allowing each BU to be targeted using different marketing and promotional mixes and different communication channels and targeted messages. For this type of segmentation, large BUs are likely to receive highly personalized attention by key account managers to serve their unique needs, while regional offices and medium-sized BUs may be served by using regional sales teams. The small (or micro) accounts can be served via online order-taking systems or telemarking sales-and-support officers. An example of this is travel agents like *ORBIT Travel*. Their large corporate clients each have a dedicated key account manager (KAM) at their regional travel agencies, while smaller firms will deal with a team of specialists serving a particular niche (e.g., one B2B sales professional serve banking clients, while another may serve education institutions). Small business owners are treated in the same way as individual consumers, by asking them to either book online or visit the branch to make their bookings via any one of the available travel agents on site at the time of their booking.

B2B marketers combine use mainly three common approaches to segment business markets: the two-stage approach; the three-dimension approach; and the nested approach. We discuss them here:

2.2.1 Two-stage approach

This approach, designed by Wind and Cardozo [16], combines customer firm characteristics such as size, industry, and product application with the nature of the decision-making processes of the BU. The first macro-segmentation step is to group firm of similar size, location, and industry together. For example, B2B marketers might group large corporate accounts, SMEs, and small customers into three separate clusters. A promotional signage company may, for example, segment their corporate clients into segments such as packaging, signage and displays, outdoor, vehicles, and trade shows OR by industry, e.g., healthcare, construction, beverages, printing, automotive, and fashion apparel. To ensure a competitive advantage, the next stage is to find clusters within the macro-segments that demonstrate similar buying behavior (micro-segments) or similar decision procedures by the DMUs. For example, within the cluster of healthcare professionals, large B2B customers have purchasing agents (BUs) that buy on behalf of five to ten franchisees, whereas pharmacists who manage their own small pharmacies act as their own marketing specialist and purchasing agent for their pharmacies. Where the large franchises use expensive point-of-purchase displays and window-dressing to communicate season offers such as cold remedies, the smaller pharmacies only use branded items offered for free by large pharmaceutical suppliers. Although this second sub-division of macro-segments into micro-segments offers insight into individual decision-making processes, this second stage is difficult (due to access to this type of information) and costly to collect (due to a long time it takes to learn about different practices and decision-making procedures).

2.2.2 Three-dimensions approach

The three dimensions to consider when executing the three-dimensions segmentation plan are customer groups (who), customer functions (what), and technologies (how) [17]. The customer groups dimension refers to the standard consumer/customer-based segmentation using demographics, geographic categories (e.g., province, state, nation, postal codes, suburbs), nature of the customer (e.g., academic, professional, sales organization, law firm, government, etc.), or product usage characteristics (DMU, first-time client, loyal customer, buying situation). Customer functions are related to the application or solution sought, e.g., for the travel industry, it might range from conference attendance, site inspection, convention, movie premiers and PR events, honeymoon, family holiday, sales award functions, etc. For the third dimension, the marketer considers how the product or service may be communicated, applied, best used, enhanced or distributed, and supported. For example, a book publisher might deliver hardcover printed books, or paperback, e-books, or part downloads. Returning to our travel example, prospective buyers may be divided into walk-in clients, call-in clients, online leads, outbound calls, corporate deals via key account managers (personal selling), and trade show sales (**Figure 3**).

2.2.3 Nested approach

In the B2B environment, Bonoma and Shapiro [18] suggest that marketers use a "nested approach" to segmentation. This approach consists of five segmentation categories with increasingly more detailed information about the buyer organization's buying behavior, set out below. It is important to note that the required information needs to be meticulously gathered to be as accurate as possible and therefore

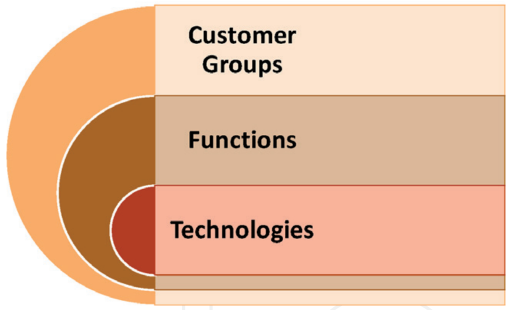


Figure 3.
Three-dimension approach to B2B segmentation

is often costly in time and resources. The more detailed, the costlier to gather. The information contained in each of the levels set out below gets more difficult to get accurate and thus more costly as you go down the list:

Demographics: industry, size, location, international spread—this information is easily obtained from various databases and other secondary (public or purchased) data sources.

Process characteristics: buyers' operations such as technology employed, type of product application (e.g., how they will apply/adapt the marketers' product or service)—this information is more difficult to come by but can often be found in annual reports and websites, through the sales representatives and via various forms of primary and secondary research.

Purchasing approach: buyers' specific processes and structures within the firm, as well as their procurement procedures and purchasing policies, should be determined through research but also personal relationship building experiences with potential and current clients.

Situational factors: a whole host of situational factors, including the size and urgency of the order(s), whether the order is a regular recurring order or an unusual ad hoc order or perhaps an entirely new client. Further considerations are, among others, the number of users and their experience with the product, the sales professional and support staff, and the trading firm.

Personal characteristics: motivation, risk profile, and relationship.

Although Bonoma and Shapiro suggest using all five levels in the nested approach, the authors advise firms to balance cost and rigor. But using all five levels ensures a systematic and hierarchical approach that will prevent marketers from missing relevant indicators to ensure distinctive, viable, and measurable market segments (**Figure 4**).

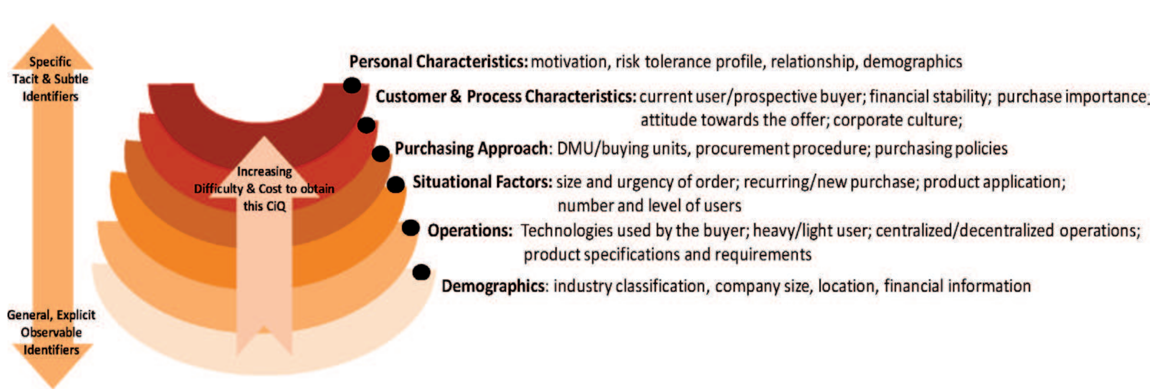


Figure 4.
Nested approach to B2B segmentation (adopted from [18]).

2.3 International markets

Exchanging products between countries, as a form of international marketing, has existed since the earliest recorded histories of mankind. A key factor affecting the need for international bartering and economic exchange is the uneven distribution of and access to natural resources across the globe [19]. For example, by far the largest producers of useable iron are Australia, Brazil, and China, who severally produce more than 75% of the world's useable iron ore [20]; India is the largest producer of mangos [21], and ± 70% of all wool exports come from Australia and New Zealand [22], and India is the top cotton producer in the world [23]. Technological advancements (including innovation in transport, information technology (IT), and business processes) have contributed to international trade and economic cooperation. Certain countries and some companies develop competitive advantages due to new efficiencies, new more cost-effective processes improved capabilities, or economies of scale and scope, thereby making their inventions or services (e.g., cheaper labor for telemarketing services) preferred. In some cases, beneficial trade agreements and political alliances result in increased trade between particular countries. With continuous, radical, and often disruptive improvements in data and telecommunications technology, opportunities for marketing communication, sales, and transferring data (money and information) continue to improve in quality and increase in quantity.

International markets concern attracting and servicing customers abroad—away from either the manufacturing or the main location of the organization's head office (HQ). International marketing can be binational (only one country away from local markets) or multinational (more than one country the firm may market to, away from HQ or manufacturing plants). For example, a multinational company like *Coca-Cola* sells in more than 200 countries, with the "Coca-Cola logo is recognized by 94% of the world's population" [24], while the global electronic company *Samsung* operates in 73 countries, with 39 production sites, 35 R&D offices, and 7 design sites worldwide [25]. Operating in such a diverse set of nations obviously adds a whole host of complications. In addition, the mode of operation in various countries may take several forms, from servicing markets directly in foreign markets or indirectly through franchises, licensors, distributors, agents, or brokers or remotely via online providers and a host of supply chain members (including raw products, distribution—the case of *Coca-Cola* bottling plants; for *Samsung* assembly plants in partnership with *FedEx*, *DHL* and other express couriers to deliver online purchases).

To reduce complication and optimize available resources, firms segment their international markets into target markets with distinct buying needs; differential benefits sought; and/or unique behaviors. There are six main international segmentation approaches that this chapter discusses: *geographic/location; economic factors; political/legal factors; cultural factors; cross-market segmentation; and micro-marketing*.

The most logical or obvious segmentation variable seems to be to divide the global marketplace into *geographic segments*, either by region (e.g., Africa, Western Europe, Australasia, North America, Latin America, etc.) or by country (e.g., China, Canada, Nigeria, Peru, etc.). Although this seems a fairly logical segmentation model, it is somewhat flawed, as the main principle for segmentation is to ensure homogeneous needs (from the consumers' perspective), access, and buying habits. Some value lies in location segmentation. Three factors that are likely to ease trade and exchange in these large regions are (i) the monetary denominations (e.g., Euros in Europe and US$ in North America), (ii) trade agreements (e.g., the North America Free Trade Agreement and the European Free Trade Association), and (iii) reduced trade barriers (European Union). In many ways though, the assumption of homogeny is flawed, as these groupings by location/nation often share minimal common traits or behaviors. For example, business executives in Sydney have little in common with the rural sheep stations in Homerton Victoria, the tour operators on the Barrier Reef, or the iron ore miners on the west coast of Australia. However, regional segmentation is often used as a first, categorical segmentation in order to find a hierarchical structure that will allow for some economies of scale in traveling, distribution, and human resource allocation. For example, *Samsung* boasts 15 regional offices and 7 design sites, while *Coca-Cola* reports 5 main operating regions, namely, Asia Pacific, Europe, Middle East and Africa, Latin America, and North America.

Global markets for multinational firms may segment markets on the basis of *economic factors*. For this approach, income levels or economic well-being and the overall level of economic development of the country and the potential consumers are considered. Segments may, for example, include "developing countries" as a segment, which may be India, Chile, Fiji, Angola, and Argentina [26], whereas the USA, Britain, France, Germany, and Japan (members of the G7) are considered developed or highly industrialized economies.

A slightly less macro-level approach is to consider the *local political and legal* factors that are likely to influence the willingness to do business with foreign firms, the number of regulations, and bureaucracy. Of serious consideration for the long-term well-being of the firm and its entire supply chain is the political stability of the government. Civil war or the threat of cross-border attacks not only affects consumer confidence but also affects various contracted suppliers up and down the supply chain. Political unrest is likely to impact exchange rates but may even reach [27] as far as impacting the message content and channel firms used to educate and communicate with consumers. A good example of the impact of political unrest or crises on sales is in the area of international tourism [28, 29]. *Cultural factors* such as language, religion, norms, customs, values, rites, and other behavioral patterns are considered by some marketers to group consumers into segments. A wedding event planner may consider offering a diverse range of events to satisfy her Jewish customers, a segment of Christian brides, and perhaps consumers who have no interest in a religious ceremony but merely wants a family gathering or a party with friends. In contrast proofreaders may decide to segment their prospects (to attract new market segments) as those students who are not first language English-speakers but who may be studying at an English-teaching university. For example, the *Universities in Australia* attract a large number of Chinese students, who may require proofreading services for their postgraduate theses. A Sydney-based proofreading service *WriteWell* may offer students a valuable service of translation and/or proofreading, specifically focused on ESOL Chinese students studying at Australian universities [30]. The final approach in this discussion of international market segmentation planning (MSP) is *cross-market segmentation*. In this approach—even if these consumers are situated in different countries—the main criteria marketers used to collect consumers into segments are consumer needs and buying behavior. For example, the eyewear company *Ray-Ban* positions themselves as "Timeless style, authenticity and freedom of expression are the core values of Ray-Ban, a leader in sun and prescription eyewear for generations" [31]. *Ray-Ban* is now available in 213 countries, but despite the geographic spread, the main segment the markets by self-image and self-expression groupings, using music festivals and various sport celebrities to influence future buyers [32].

Local marketing (a form of micro-marketing) entails dividing the large global market into concentrated groupings, most likely by cities, by neighborhoods, and in some cases even down to specific stores within a neighborhood. Global brand *SPAR* (food retail, groceries, fresh produce, and in some cases small delis, pharmacies, fresh flower sales units, and jewelry counters) adapts both the width and the depth[4] of their product offerings to each local area. For example, the *SPAR* in Morano (previously *DeSpar*), Italy, sells a huge variety of Italian cheeses and local wines like *Prosecco*, whereas the *SPAR* in the small rural town of Moorreesburg, South Africa, sells various spiced biltong (a favorite dried meat snack) flavors and a huge variety of barbeque accessories. A major advantage is an agility and responsiveness of the smaller localized stores (business units of the group) to contextual events and market forces specific to that area. Marketing mixes and marketing communication can be customized to suit the norms, habits, values, and language needs of the local market segment. Specific niche media may be available on a local level that is not available on a national or global scale (e.g., a local newspaper or niche magazine like *the North Shore Times* may only serve a small sector of a state or region). This local or micro-marketing approach is much closer to the idealized segmentation model of 1:1 marketing but has some important drawbacks for marketers to consider. Foremost, the consistency and reputation of the brand (and its unique value proposition, see later) need to be respected and are often difficult to maintain, given the varied and fragmented markets. Secondly, the widely spread and small nature of the markets pose a big threat to the sought-after economies of scale and add to various sourcing and distribution costs (e.g., delivering highly customized, uniquely adapted products to two different countries, many miles apart). Fortunately, online media and technology has simplified communicating with and targeting highly dispersed (or tightly localized) market segments.

2.4 Segmenting online markets

It is quite natural to think that online consumer segments must be the same as other consumer segments. They are simply put as people searching for solution~~s~~ products and service that can meet their needs and add value to their lives, aren't they? In a way this is true, but since the Internet offers so many alternative sources of product and service information, scholars [33] suggest that a different approach to categorizing online buyers is required. In addition, prospective customer activities, online behavior, and habits differ substantially from traditional retail behavior. Consumers are better informed, are more mobile and traveled, and have more choice due to technological advancements. Forbes [34] reported that social media usage would see the largest growth (31%) in marketing expenditure of all available brand communication media. Therefore, marketers use a different set of criteria to categorize online segments, aiming for these customized approaches to deliver more relevant communications and more valued offers. Luckily these technological advancements also enable online marketing, making it is easier than ever to tailor marketing messages to different demographics and consumer categories. Artificial intelligence (AI) and machine learning algorithms (MLA) and tools to analyze big data about consumers with some immediacy (CRM dashboards) make it possible for marketers to now predict website visitors' likes of products and brands based on similar users' behavior [35]. Current models divide online consumers into three basic categories: non-purchaser, purchaser, and potential purchaser segments [36]. In this chapter we will also differentiate between segments by considering information search habits, propensity to shop online, shopping behavior, and site attributes

[4] The width of a product range refers to the number of types of products offered, whereas the depth refers to the differentiation within the product range. So, for example, SPAR may offer a small narrow range of shampoos (only three or four brands), but the depth might include a host of types of shampoos from 2-in-1 shampoo-conditioner types to shampoos with color additives and shampoos for babies—all from the same brand.

sought by prospective buyers and current users. Several typologies exist, and new ones are constantly added, due to the fast-changing nature of web developments but also because shoppers get more experienced using the web and online services, and therefore also adapt their habits and behavioral patterns.

Online information technology (the Internet) provides consumers with the ability and tools to share product and brand information online. In 1995, Amazon already offered customers the options to post comments and reviews online [37]. In more recent years, it has become a fairly common phenomenon for companies to seek ratings and after-sales feedback via web-pages—asking only a few seconds from customers to complete firm-generated rating scales or add self-generated review comments [38]. Research evidences indicate that consumer reviews have become important sources of information and guidance for prospective buyers' purchasing decisions and affect brand reputations and product quality perceptions dramatically [37]. But, it is not all good news! Disgruntled consumers are quick to post bad reviews and scathing comments either on the company's website [39–41] or review sites like TripAdvisor, Manta, Angie's List, or Foursquare [40]. Social media offers an outlet for customers to express disappointment, stories about poor service, and claims about unethical actions by firms, arrange boycotts, and spread bad electronic word-of-mouth (eWOM) on various online platforms—all likely to be harmful to the brand. These comments are read, with more than 80% of prospective buyers indicating that they read reviews to determine the quality of a local business [39]. These reviews and social posts shape a firm's online reputation outside of the planned marketing communications of the firm. Upset consumers go as far as starting anti-brand communities (e.g., *Anti-Apple; anti-Wal-Mart* [42]) to express their disdain and dissatisfaction with a product or brand or even a social movement to place hurdles in the path of brand growth. User-generated discontent (UGD) and negative ads for products can be easily found on YouTube—some simply making fun of a brand (e.g., *Dove* [43–45]), others more negative in its comment on the value or acceptability of the brand's practices.

In some cases it is a good marketing strategy to "license third parties" to comment and, in so doing, ensure a sufficient level of review informativeness [37]. Further, proactive marketers create opportunities for consumers and current customers to engage at various levels with the brand and its various products. Marketers consider higher levels of engagement the desired outcome, because customized IMC should result in better engagement, response rates, and thus increased purchase and loyalty levels. The ideal outcome for a firm is to move consumers up the ladder of engagement (in figure ABC) to co-create products, thus creating their own demand. Companies use various systems of communication, registration, processing, feedback, and rewards to ensure customer action.

At the first level of engagement, firms merely have a like/dislike button to allow users feedback by clicking the relevant icon. At the next level, online firms like Amazon ask for customer ratings (providing a sliding scale or point system). Customer reviews are fairly common to the travel and hospitality industry, with consumers leaving long or short, often highly detailed reviews of hotels, restaurants, and Airbnb home rentals [46]. Discussions, as the first level of co-creation, are a two-way communication between the brand and its consumers. Home Depot, as example of this fourth level of engagement of discussion and idea-sharing, allows consumers to answer questions regarding DIY projects posed by other consumers, on their website [47, 48]. At the next level, customers co-create advertisements with the branding team at a firm. In Greece, Kraft Foods published several long-form user-generated advertisements for Lacta chocolate [49]. The sixth level of consumer engagement for online products and brands is co-created brand naming. In 2008, Boeing renamed the 7E7 airplane to Dreamliner, responding to consumers' choice, as recorded on newairplain.com by 500,000 consumer-voters [50, 51]. The last, highest level of firm-consumer co-creation is where customers co-create products. At this level, facilitated by social media and other online communication channels (firm websites), customer ideas are sourced (also called crowd-sourcing), and new product modifications or the next generation of product innovations is suggested by consumers and implemented by the firm. Procter & Gamble uses a forum called InnoCentive, to allow approximately 180,000 freelance students, academics, artists, engineers, and scientists to solve problems that can impact humankind in areas ranging from the environment to medical advancements [52]. Sites like Constant Comedy.com and Dry Bar Comedy [53] on YouTube assist budding comedians to launch their careers using the short-clip user-generated content (UGC) to test and rate users' jokes. Short videos are uploaded to the site and viewers' vote on the performances. Somewhat similarly, but using big data generated by consumers, Netflix analyzes customer selections and binge-watching data to create new series, films, and watch lists for prospective viewers and to recommend films and soap operas to their loyal customers.

Social media consultants [54] of *Marsello* suggest segmenting online users by actual, measured levels of participation, which is also some indication of their common interests and online surfing and activity habits. When measuring actual engagement and true online media usage, seven segments emerge: segments based on (i) recency, frequency, and money spent (RFM) and customers' engagement into (ii) six sectors, namely, curators (keeping and reposting content), producers (authentic content created by consumers UGC), commentators (consumers' comment on firm content, products, or activities), sharers (consumers sharing advise or experiences), watchers (observing trends and fads and adding to the dispersion or adoption of new products or improvements), and, finally, advocates/detractors (fans and supporters, sharing reviews, links, or eWOM via *Facebook*, *LinkedIn groups*, and *Google + Circles*) [55].

There are several specific approaches to break the entire market into smaller, reasonably homogeneous groups, but e-commerce personalization depends on the data sources marketers can access and personalize against. These segments are decided, based on usage (channel engagement; web search habits, time spent, purchasing behavior) and where trust resides (influencers followed, time habits, likes and dislikes). **Figure 5** displays 16 possible segmentation criteria used in e-commerce (**Figure 6**).

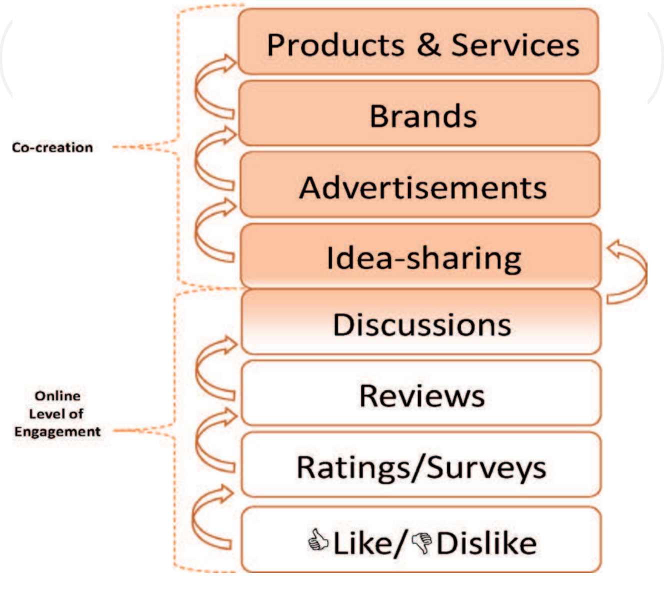
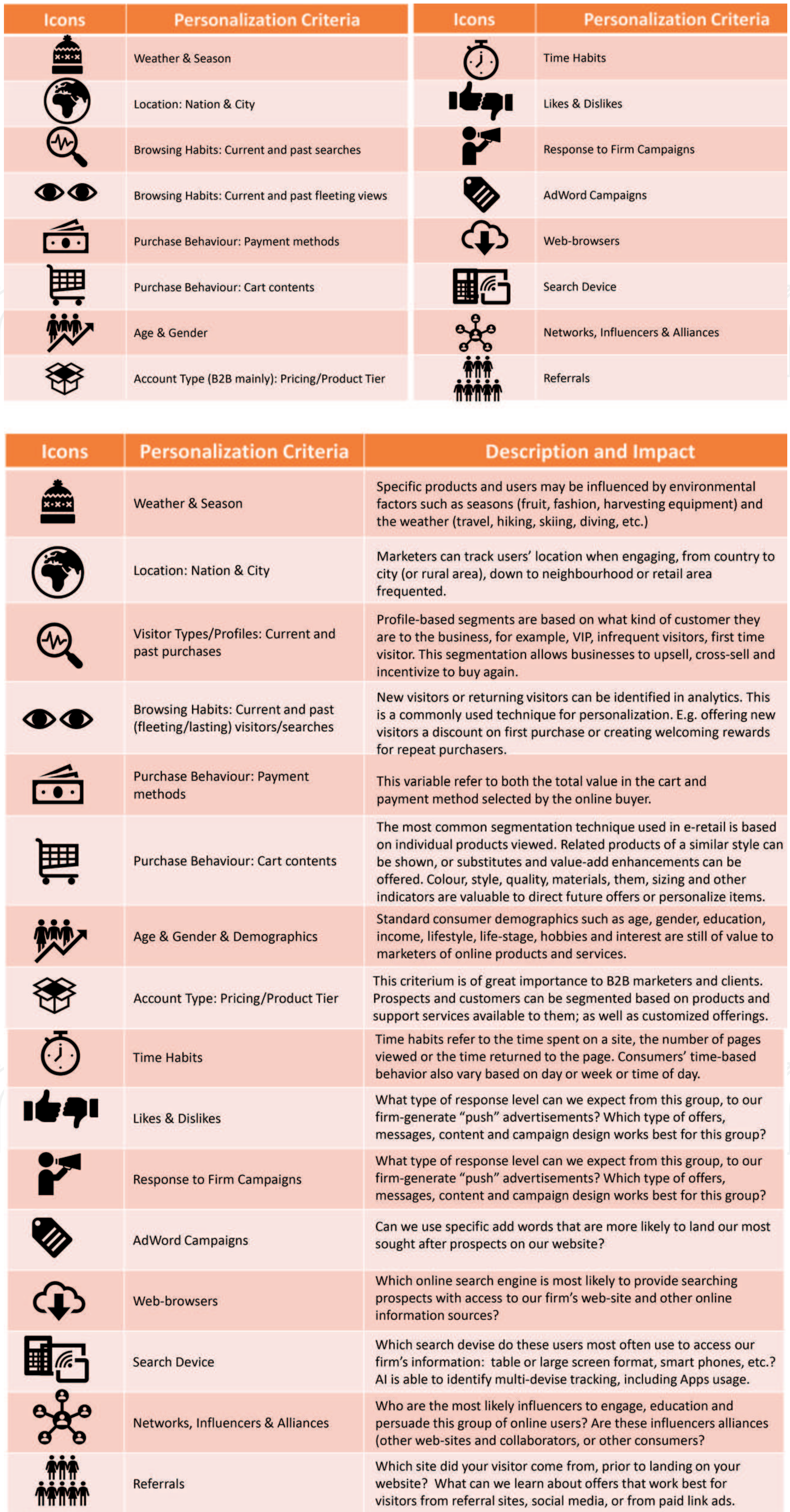


Figure 5.
The ladder of collaborative co-creation for online engagement.



Icons	Personalization Criteria	Icons	Personalization Criteria
	Weather & Season		Time Habits
	Location: Nation & City		Likes & Dislikes
	Browsing Habits: Current and past searches		Response to Firm Campaigns
	Browsing Habits: Current and past fleeting views		AdWord Campaigns
	Purchase Behaviour: Payment methods		Web-browsers
	Purchase Behaviour: Cart contents		Search Device
	Age & Gender		Networks, Influencers & Alliances
	Account Type (B2B mainly): Pricing/Product Tier		Referrals

Icons	Personalization Criteria	Description and Impact
	Weather & Season	Specific products and users may be influenced by environmental factors such as seasons (fruit, fashion, harvesting equipment) and the weather (travel, hiking, skiing, diving, etc.)
	Location: Nation & City	Marketers can track users' location when engaging, from country to city (or rural area), down to neighbourhood or retail area frequented.
	Visitor Types/Profiles: Current and past purchases	Profile-based segments are based on what kind of customer they are to the business, for example, VIP, infrequent visitors, first time visitor. This segmentation allows businesses to upsell, cross-sell and incentivize to buy again.
	Browsing Habits: Current and past (fleeting/lasting) visitors/searches	New visitors or returning visitors can be identified in analytics. This is a commonly used technique for personalization. E.g. offering new visitors a discount on first purchase or creating welcoming rewards for repeat purchasers.
	Purchase Behaviour: Payment methods	This variable refer to both the total value in the cart and payment method selected by the online buyer.
	Purchase Behaviour: Cart contents	The most common segmentation technique used in e-retail is based on individual products viewed. Related products of a similar style can be shown, or substitutes and value-add enhancements can be offered. Colour, style, quality, materials, them, sizing and other indicators are valuable to direct future offers or personalize items.
	Age & Gender & Demographics	Standard consumer demographics such as age, gender, education, income, lifestyle, life-stage, hobbies and interest are still of value to marketers of online products and services.
	Account Type: Pricing/Product Tier	This criterium is of great importance to B2B marketers and clients. Prospects and customers can be segmented based on products and support services available to them; as well as customized offerings.
	Time Habits	Time habits refer to the time spent on a site, the number of pages viewed or the time returned to the page. Consumers' time-based behavior also vary based on day or week or time of day.
	Likes & Dislikes	What type of response level can we expect from this group, to our firm-generate "push" advertisements? Which type of offers, messages, content and campaign design works best for this group?
	Response to Firm Campaigns	What type of response level can we expect from this group, to our firm-generate "push" advertisements? Which type of offers, messages, content and campaign design works best for this group?
	AdWord Campaigns	Can we use specific add words that are more likely to land our most sought after prospects on our website?
	Web-browsers	Which online search engine is most likely to provide searching prospects with access to our firm's web-site and other online information sources?
	Search Device	Which search devise do these users most often use to access our firm's information: table or large screen format, smart phones, etc.? AI is able to identify multi-devise tracking, including Apps usage.
	Networks, Influencers & Alliances	Who are the most likely influencers to engage, education and persuade this group of online users? Are these influencers alliances (other web-sites and collaborators, or other consumers?
	Referrals	Which site did your visitor come from, prior to landing on your website? What can we learn about offers that work best for visitors from referral sites, social media, or from paid link ads.

Figure 6.
16 online segmentation/personalization criteria (adapted from smart insights [55]).

Typology/ Classifications	Description
The Simplifiers	These online users spend only ±7h p.w. online, but accounts for >50% of all online-transactions.
The Surfers	These consumers spend approximately 32% of their time online and visit ± 4X more sites than other users.
The Connectors	These consumers normally prefer "brick-and-mortar" retail, and is fairly new to the internet.
The Bargain Hunters	These are consumers who like to find bargains and enjoy finding "deals".
The Routine Followers	Online addicts who seek mainly information but use the net to access the information sought.
The Sportsters	Sport Enthusiasts and Entertainment seekers.

Figure 7.
Media matrix of McKinsey (2000) online shopper typology.

6 Clusters	Description
Brand Comparison	These shoppers compare product features, prices and brands before shopping, actively seeking promotional offers. (More likely in the age-group 25-29)
Dual-Shopper	Dual shoppers are more likely to be single male and in the age group 15-24. They rely on the Internet for information, but are not deal prone.
Traditional Offline Shoppers	These are mostly in the age bracket 40-49 and do not look for bargains or comparative information on the Internet. They prefer buying from brick-and-mortar stores.
On-Off Shopper	These are consumers who like to surf the Internet for information, but prefer to shop offline. They use bookmarks and the same search engine regularly. This group is most likely between 15 and 24 a. and of both genders.
Information Surfer/Ad Orientation	The info surfer is more likely to be married, loves banner adverts and click thru on them. They look out for promotional offers. They are expert navigators and has extensive online purchasing experience.
E-Laggard	E-Laggards are likely to be female (>37 a.). He/she has a low interest in finding information online. After the traditional shoppers, they are the group with the lowest Internet navigation expertise

Figure 8.
Kau-Tang-Ghose (KTG) clusters of online surfers and shoppers.

Marketers have the ability to share information with a vast range of audiences and potential customers, using blogs, photographs (*Instagram*, *Flickr*, and *Pinterest*), videos (*YouTube*, own site, directed communication), personalized direct e-mail campaigns, and corporate website content. Social media widens the range and reach of firms' communication mixes and a range of channels and formats. Various goals can be addressed in various ways (but consistency in value, look-and-feel; thus

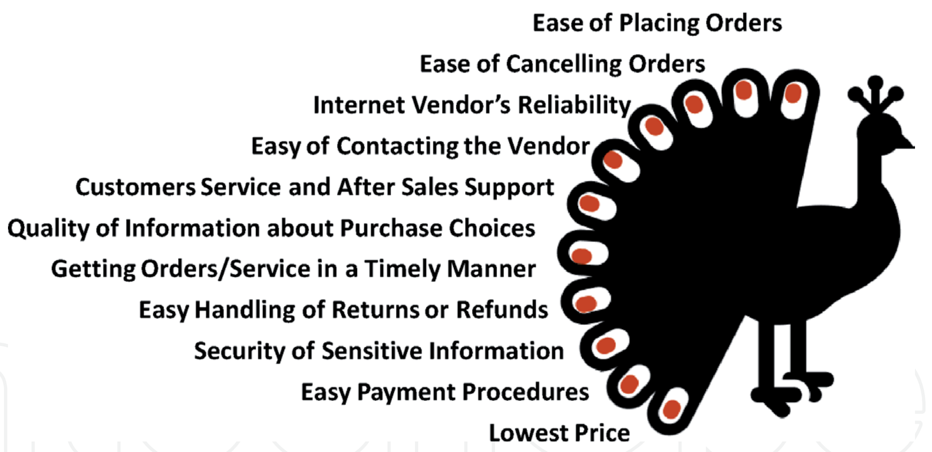


Figure 9.
Fantail of attributes sought by e-shoppers (adapted from [60]).

IMC is essential to build recall, recognition, and brand reputation). For example, *Pinterest* can be used to inform and excite (gain interest), whereas *YouTube* can be used to entertain, educate, or add multimedia (sight, sound, subtitles, etc.). A highly valued feature of social media is the ability to bookmark sites [56].

Bookmarking facilities on social sites allow visitors to post the firms' messages to their own *Facebook* pages, link them to their *LinkedIn* profiles, or share links with their own networks of colleagues, associates, and friends. This e-word of mouth (eWOM or word-of-mouth) is very valuable to marketers, as these shared links add credibility and trust to the message and widen the reach and impact of the firm's marketing communication [56]. *Twitter,* with its 140-character limit, is hugely popular to the blogging online community, with 336 million (66 m in USA and 40 m in Japan) monthly active users (MAU) and 500 million tweets per day. Firms listen to the Twitter chatter about brands to see which key phrases are associated with their brand and product offerings. According to *Reuters* Press [57], *Dell* computer company, *Twitter* played an important role in selling millions of dollars' worth of online products (**Figure 7**).

Departing from the original study by McKinsey (2000) reported by Hamilton [58], Kau et al. [59] studied 3172 shoppers to review and expand the typology developed by McKinsey, to link demographics to behavior indicators and find a more sophisticated matrix to combine on- and offline shopping behavior. This is important for marketers, as demographics are normally easy to source and identify for targeted communications and segmented marketing mixes, whereas behavioral characteristics are more difficult to investigate [59] (**Figure 8**).

The KTG typology is useful to marketers, since each group has different demographic and psychographic characteristics. The clusters also display different (homogeneous within clusters, but different between clusters) online and offline purchasing behavior. A SMP based on these segments will assist marketers in devising promotional and communication plans to suit specific segments of shoppers. Marketers can build on the fundamentals of direct, personalized marketing applied offline and combine it with the capabilities of machine learning to deliver the nearest thing to 1:1 marketing. According to KTG [59], "the access to information, the ability to easily compare, the convenience of not having to go down to the mall and the use of familiar brands–drive e-commerce" (p. 156). E-Shoppers value various online service aspects, ranging from the quality of information, the ease of placing orders and returning goods, to pricing, security of personal information, and vendor's reliability in getting the order to the buyer in a timely manner (**Figure 6** for the full range of 11 sought-after attributes) [60] (**Figure 9**).

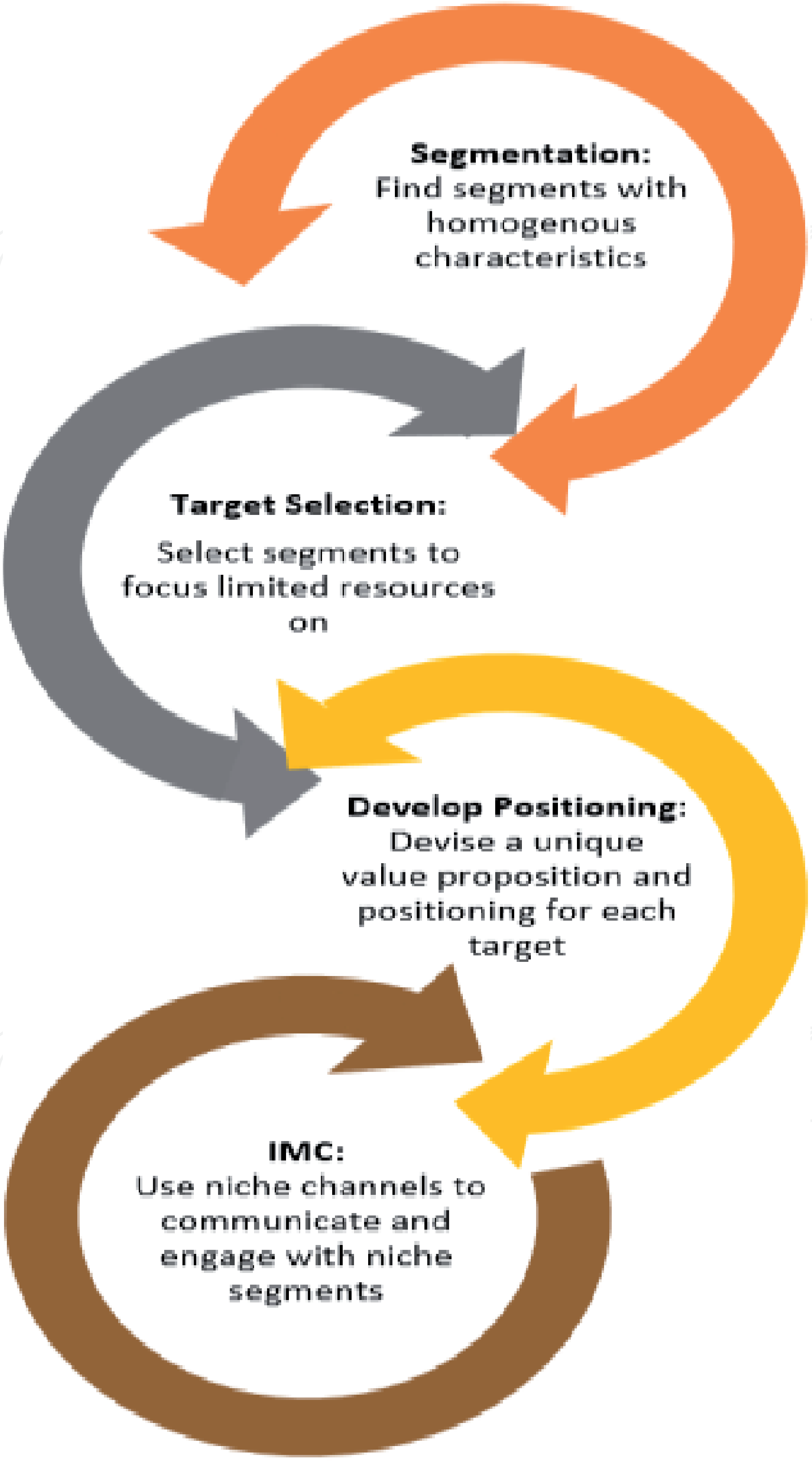


Figure 10.
The relationship between segmenting, targeting, positioning, and niche marketing (adapted from [3]).

Selecting the right cluster of online shoppers (segments) for the firm's offers is thus of great importance, not only to determine the clusters' unique communication needs but also to understand what motivates particular clusters of Internet users and focus the firm's efforts on those attributes most valued by the firm's target audience(s).

3. Targeting specific segments

Whichever approach marketers use to segment the market (or choose to eliminate suspects to find possible prospects to qualify, inform, and ultimately engage), viability, and usefulness needs to be determined. The two most important strategic marketing decisions a business will make are choosing the most rewarding market segments and determining how to position its offers. Selecting rewarding (in terms of various objectives including maximizing profitability, maximizing market share, entering a new strategic market, building brand reputation, etc.) segmentation is the first of a three-step strategic process. The next stages are selecting the targets for the firm's marketing efforts; positioning the firm's offer or brand in the most attractive way to attract and engage the preferred segments; and, finally, allocating marketing resources to pursue prospective groups of customers [61]. In the past, scholars suggested these stages are consecutive, linear stages, but today scholars concur that segmentation is an ongoing, iterative process that needs to be regularly (even continuously) re-examined and reconsidered. Business market segments are highly dynamic due to the quick response of marketplace competitors to demands from customers, new technological and other radical innovations, as well as economic up-and-down turns. Sophisticated marketers will even attempt to anticipate and predict contextual instabilities to prevent having to play "catch-up" to more astute competitors [62, 63]. It is marketing, sales, and new business managers' responsibility to continually reassess the original bases for current segments and to remain vigilant about the personal, situational, and contextual factors that might impact their current and future customers (**Figure 10**).

3.1 Targeting to optimize market share and profitability

Most organizations have moved away from mass (undifferentiated) marketing to targeted (differentiated/segmented) marketing: identifying and dividing the likely buyers into somewhat homogeneous segments to serve and then selecting a few to focus the firm's limited resources on. Even the wealthiest firms cannot afford to serve all customers and prospects equally. For the undifferentiated marketing strategy, marketers focus on common needs, shared by consumers in the mass market, rather than the differentiated needs, shared by similar consumers. The communication strategy is aimed at messages that appeal to as large a group as possible. Communication and marketing tactics are directed at the whole market rather than a particular niche audience. This strategy is not one most marketers would pursue, despite the economies of scale due to lower production and distribution costs, because, despite minimal cost spent on research and niche messages for niche audiences, most marketers fear that discerning customers who are spoilt for choice may not respond well to generalized marketing messages. Marketers fear that less satisfaction is likely when offers are not customized. A concern with a large number of direct and indirect competitors in such an undiversified marketplace results in firms focusing efforts on a select few, well-differentiated market offerings. General Motors offered "a car for every purse and purpose." A buyer might start with a *Chevrolet* and gradually trade up to a more exclusive *Buick* or *Cadillac* [64]. Today

Toyota tries to emulate this strategy with a car for every purpose and personality, with the *Rav4* aimed at the more outdoorsy, adventurous types, the *Camry* for the more conservative, money-conscious family buyers, and the *Toyota Lexus* for the elite luxury seekers. The third type of targeting strategy is a concentrated marketing strategy. This is always called niche marketing or a niche market strategy. When firms have very limited resources, a niche strategy is one where a firm focuses on gaining a large market share of a small sub-segment (as opposed to a small share of a large market segment). The main benefit of niche market segmentation is that the firm is likely to have fewer direct competitors in the chosen niche segment. With the niche media and direct channels offered by social media and the World Wide Web, it is today easier than ever to focus efforts and resources on a small niche group. For example, on *TradeMe*, consumers can buy and sell good-as-new used goods to private buyers. Small online traders can focus on a high niche sub-segment. For example, small galleries may focus on handcrafted pottery or sell their uniquely crafted, handmade items via *Etsy. Etsy* was launched in 2005 in Brooklyn, USA. Today *Etsy* has more than 60 million items and more than 40 million users—connecting 2.1 million sellers with 39.4 million buyers for a gross merchandise sales (GMS) of approximately $US 4 billion [65, 64].

> *"For a differentiated MSP, the firm targets a selection of market segments, and designs separate uniquely differentiated offers for each target audience".*

There are four main steps to market targeting:

1. Dividing the market into buyers who might have different needs, requiring separate marketing (product, price, promotions, distributions) and communication (channels, niche media, targeted messages, content, and stories) mixes, which we have discussed above.

2. Selecting a segment (two or three) to target, which is attractive and viable.

3. After that the firm designs a unique value proposition (UVP or USP = unique sales proposition) to differentiate itself from competitor offerings.

4. The final step in the MSP is to integrate all communication and promotional efforts to offer a clear, distinctive, and desirable place in the mind of its potential target audience(s).

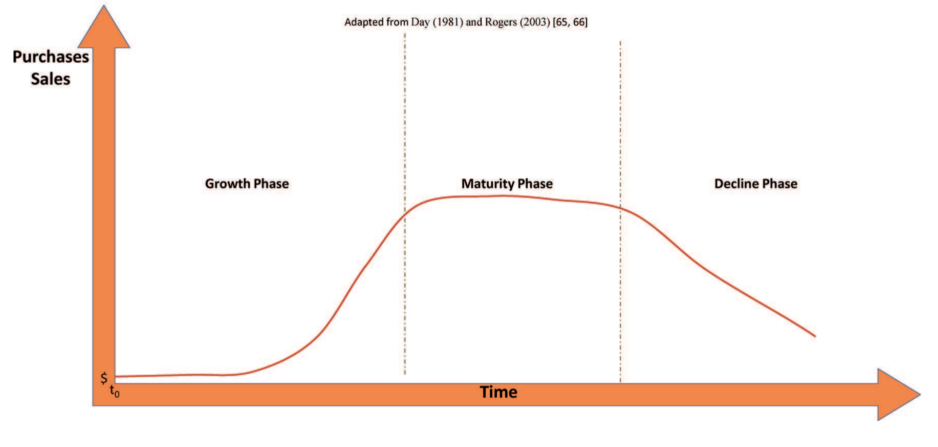


Figure 11.
The product life cycle (PLC) in three stages (adapted from [66, 67]).

Selecting the firm's targeting strategy is based on a series of five important factors. First, the *firm's resources* (or lack thereof) are likely to play an important role in this decision. With limited resources, highly concentrated or niche segments are likely to be the more viable market-targeting strategy. Second, the *particular product* and the firm's ability to differentiate the product/service offering will also impact the segmentation strategy (**Figure 11**). Third, the *product life cycle (PLC) stage* needs to be considered during the decision-making process (**Figure 5**).

A sound choice will concentrate efforts for new products, launching one or two versions of the product initially or perhaps launching only one product type to an undifferentiated market. When the product achieves higher levels of awareness, adoption, and growth, the firm might select a more differentiated targeting strategy. In the next section, this chapter considers the tests for effective segmentation.

3.2 Implementing MSP: tests for effective segmentation

Developing market segments and assessing their viability rely on detailed analysis of marketing research, sales data, customer and buyer information, and contextual and competitive information. Some firms though focus on segmentation purely by product type or product size (e.g., this would be similar to *Coca-Cola* deciding to segment the market by those who purchase 330 ml cans and those who purchase 2 L bottles). In contrast another segmentation error is seeing the entire industry as one segment. For example, a firm making sails for boats might see themselves as selling "sailboat sails," missing out on a whole section of potential customers like umbrellas, tents, or other outdoor equipment and protection. This is termed marketing macropia [68]. An overly broad view of an industry could be linked closely to firms' inability to identify a range of core needs for which the firm's offers are solutions. For example, a service like hair dressing does not merely sell "haircuts" or serve only to solve untidiness or unruly hair problems. Hair styling artists of *Se Salon* may serve customers' need to look more fashionable (contemporary styling), or look a bit younger (age-appropriate but modern styling), or fit in with regulations (police and service people styles) or merely to be pampered (an hour away from obligations and responsibilities while being pampered—including a scalp massage). Seeing themselves as "personal grooming professionals," *Se Salon* might even extend their market segments to include beard grooming, shaving, eyebrow shaping, and other related services.

> *"Marketing myopia is an approach to marketing that fails to define the firm's products in terms of the customers' needs and wants. It results in the failure to see and adjust to the rapid changes in their markets" [69].*

It is therefore important for marketers to assess (and reassess as we will discuss later) the effectiveness of their segmentation analysis and answer the question: "Which market segment will we serve?" By considering all likely segments and selecting viable segments based on five main criteria that are *substantial* (large enough to make the firms' efforts and investment of resources worthwhile as they relate to our marketing objectives); *differentiable* (can the firm create offers and a marketing mix that is of value to the segment, and the segments are homogeneous within and heterogeneous between segments); *measurable* (reliable information about the segments need to be obtained via primary or secondary sources); *accessible* (are there available and uniquely targeted channels to reach them), and fairly *stable* (the market must not decline, reduce or fluctuate unpredictably). The segment size and growth (or not) are a relative issue. Firms would obviously prefer segments that are large in current sales and likely to produce high volume and size in future transactions, with a high profit margin. Unfortunately, some fast-growing segments might not always be the most attractive ones, as they may be high in restructuring or re-engineering costs. The firm might not have the right equipment and/or talent to serve the target market. It might be in the interest of the firm to select segments that are smaller at the outset and somewhat less attractive for current transaction size but are potentially more profitable.

> *"Segments can be labeled as "large" based on current transaction size, potential purchases, or even their ability to generate leads for the firms' clients—with their own clients as referees and referrers".*

A good example is *HSBC Bank* who might offer savings accounts and fee-less ATM cards for young teenagers, in the hope to retain their business well into their high earning years, where profit will be gained from these future employees' salary income, credit cards, house bonds, education policies, insurance, and other interest-bearing and fee-bearing transactions. Some segments might even be chosen purely on their ability to refer business, so the indirect income from reciprocal business is important to the firm. An example to illustrate this principle is a lawyer *Smith & Samson*, who might do legal work for an estate agent, says *Pam Golding*, not because the estate agent industry is particularly lucrative or a key account but because the estate agents at *Pam Golding* have large housing developers, landlords, and homeowners as clients, whom they can refer to the lawyer in a mutually beneficial, noncompetitive lead generation networking relationship. They might share clients without competing for business in any way or form.

Firms need to be attentive to the number of segments they choose to focus their limited resources on—both selecting too many or too few segments can cause problems in the long run [70]. Too many might not make the firm's scarce resources stretch far and wide enough to tailor differentiable value to the specific needs of

Segmentation selection criteria	Concepts and considerations
Firm strategy	Corporate vision and direction Brand positioning and reputation Management commitments Organizational requirements Marketing objectives Competitive positioning
Resource demands	Technology Relationships Human resources, purchasing of resources Services and sales Production Image Capital investment required New product development (R&D)
Future attractiveness	Size and growth Profitability Relative risk Competition Government considerations Contextual considerations Technological demands (of the firm, from clients) Current relationships Development of new relationships

Table 2.
Segmentation selection criteria (adapted from [71]).

consumers; and too few segments might lead to a marketing plan that fails due to the demise of certain segments, as the context shifts.

Once the market is divided into a select few, likely segments (seen from the perspective of the marketer), marketers need to evaluate the segments' attractiveness by asking four basic questions: Is the market large, growing and likely to be profitable enough to pursue (MONEY)? Would the marketing communications and our marketing mix allow us to access these prospective customers, OR would we be able to reach this segment via particular, customized, or well-targeted media (MARKETING ACCESS for ACQUISITION)? Does targeting this segment fit in with the vision, mission, and strategies of our firm (CONCENTRATED) and the capabilities the firm has, or is it able to acquire within a fairly concentrated time (CAPABILITIES)? Used as an acronym, these four questions spell out ***MACC***. Marketing experts Freytag and Clarke [71] suggest evaluating potential segments by considering three strategic imperatives: (i) firm strategy; (ii) resource demands; and (iii) future attractiveness. **Table 2** illustrates the construct and the building blocks of each off these selection criteria. In some cases, the firm will develop its own new market segments to align with the need they wish to fill. For example, *Swatch* watch producers educated consumers that a watch can be more than a time-keeper and an inheritance—it can be a statement of style, fashion, and personality—thus creating a new category with new demands and thus an entirely new segment of watch wearers. The *Sony Walkman* portable audio player, launched in 1979, was the first truly "totally portable" stereo cassette recorded music player [72]. It was much smaller than an 8-track player of the earlier cassette recorder/players, was listened to with stereophonic headphones (unlike previous equipment which used small loudspeakers), and was small enough to be carried around. *Sony* educated consumers that they can compile their own music playlists (no need to buy the full record/cassette) and that buyers could take their playlist wherever they went. Today's music lovers can download the *Sony Walkman Music Player* Android App APK for high-definition music player only for *Android smartphones* and listen to "your own playlist of….stylish, sizzling music" [73].

Once a firm has considered the viability, they need to focus efforts on a few segments they wish to serve. This set of prospects, buyers, and customers with a set of homogeneous characteristics is called a *target market*. When firms select highly similar segments and focus on the commonalities of all segments, they are essentially undifferentiating the marketing mix. This is only a viable strategy if the competition is limited. For a differentiated marketing strategy, marketers design specific marketing communication and marketing mixes for each target segment. When represented as a web of activities, **Figure 8** depicts how a variety of tools and investments at various levels could be used to best satisfy the unique needs of different segments. For Target 1 consumers, a large number of product offerings (willingness to personalize products, e.g., luxury robots) are available, while the firm offers a very low range of unsophisticated products to Target 2 customers (this might be the very basic products with no frills). So, for Target 2 customers, the price band is narrow (small variances in price). The budget to promote the product is also low. These "basic" products could be sold in a variety of outlets, including online sites, while the luxury, highly customized products for Target 1 are sold only in exclusive boutique stores. The physical evidence (such a packaging, branded material, and point-of-sale items) and people (sales professionals and customer care officers) for Target 2 may be more varied, due to a large number of outlets involved in the sales process. Partners such as franchisees and the various site owners will be numerous for the marketing strategy to reach and distribute to Target 2 consumers (**Figure 12**).

Figure 12.
The marketing mix for two unique target markets.

To facilitate the integration of all communication from the firm with the selected target markets (IMC), all segments need to firstly be aligned with and secondly keep in pace with changes in firm strategy, culture, tactics, structure, capabilities, and resources [74]. Authors Dibb and Simkin [74] suggest that internal (to the firm) audiences need to be identified who play key roles in communicating and liaising with customers, to allow them to make changes to marketing plans and communication programs to stay congruent with the MSP. To implement the selected or revised segmentation plan, managers will need to be given specific responsibilities and resource (time, money, staff, equipment) to roll our solutions to these segments. Finally, various business units will need to develop methods to monitor and control the effective implementation of the SMP.

3.3 Targeting and positioning for sustainable competitive advantage

Once upon a time, filling stations sold petrol and supermarkets sold food and groceries. Today, filing stations sell a wide range of products from oil, diesel, and petrol to automated car washes, fresh coffee, pastries, groceries, and a wide range of snacks. Grocery stores sell everything from fresh produce to kitchen utensils, clothing, pharmaceuticals, magazines to garden furniture, flowers, and DIY tools. Some category-less firms take a large share of wallet (% of consumers' discretionary budgets), offering a wide range of products, services, and solutions. For example, *Walmart* and *Tesco* brands can probably sell customers anything, including legal advice and wedding planning. In New Zealand, grocery giant *Foodstuff's* grocery stores, *New World*, sell everything from bread and milk to socks, medicine, glassware, gardening equipment, and electric blankets.

Adept marketers understand the power of the brand and the role of "positioning" in accessing their larger-than-fair share of wallet. It is critical in this hyper-competitive, borderless marketplace to understand how to attain and retain a sustainable competitive advantage. Marketers use a variety of positioning activities to develop a meaningful distinction from competitors in the mind of current and future customers [7]. Several possible sources of SCA can be found in the eight Ps of the marketing mix: product differentiation, competitive pricing (based on cost efficiencies), distribution channels (including online and global logistics), promotions and special offers, and innovation (including R&D, patents, and intellectual property) [75]. A key selection criterion to determine possible sources of differentiation is that the selected target markets of the firm must see these attributes, characteristics, and variables as valuable, as discussed in the next section.

3.4 Positioning, unique value propositions and perceptual maps

Once a firm has selected the (few) target markets to focus its limited resources on, it must determine a differentiation and positioning strategy. There are four distinct (but iterative) steps in this process:

Step 1: Identify a set of possible differentiators that are likely to create a sustainable competitive advantage.

Step 2: Choose advantages that are valuable to the firm and to the target audience(s) and on which the firm hopes to build a position (in the minds of those prospective consumers.

Step 3: Select and design an overall positioning strategy.

Step 4: Design and implement integrated marketing and communication tactics to support the overall positioning strategy. It is imperative to sustained success that marketers review these four steps and decisions related to those steps regularly (as they review target segments as well) and renew and refresh ideas and strategies regarding their SCA and the tactics to create and maintain distinctive benefits and distinguishable advantages (**Figure 13**).

A brand's full positioning is defined [61] as developing a theme that will produce a meaningful distinction for customers. According to Kotler [3], a product's positioning is the complex set of perceptions, impression, and feelings that consumers hold for the product compared to its competitors' products (goods and services). Therefore, brand positions are essentially a place made in the mind of consumers, whereas products are made in factories [7]. Firms can decide on the feature and include benefits in the products and services to ensure a particular set of attributes is associated with the product. In this way, firms can ensure that their product-service offering occupies a specific (predetermined) place in the mind of potential and existing customers. For example, *Volvo* is positioned as safe care, due to the manufacturer's emphasis on safety through technological advancements [76], whereas *BMW* owns the brand position space of quality and excellence in the driving experience, due to its constantly reinforced brand message of "sheer driving pleasure" and more recently "ultimate driving machine" [77] and "designed for driving pleasure" [6]. In fact, it seems the slogan "Vorsprung Durch Technik" has transformed the entire positioning of the national brand of *German* products, and in particular family cars, to a position of quality, efficiency, progress, and technological innovations [78]. Marketers cannot leave their positioning to chance or to the consumer to decide—because consumer will position products and brand with or without the intervention of marketers. But, to get the greatest competitive advantage, marketers have to design and actively pursue planned positions.

To identify perception gaps or to identify positioning opportunities in the marketplace, marketers use perceptual maps. A perceptual map can be used to display comparative brands' positions—as they relate to benefits sought by particular target audiences. Marketers use several perceptual maps contrasting a variety of key attributes (as sought by consumers and prospective buyers) to plan differentiation and positioning strategies and tactics. To allow for easy interpretation, and to clearly identify opportunities and threats, only two attributes are displayed at any one time, creating four quadrants. **Figure 10** portrays such a comparative analysis of Australia/Pacific Airlines. On this particular perceptual map, the desirable positions are fairly close to the central point, OR the entire quadrant A, the top right hand corner of quadrant B (where the airline still has an acceptable status), or, if achievable, quadrant D. Airlines are unlikely to occupy quadrant C (high quality and low status)—unless they are not achieving well on another key attribute (say departing and landing on time). Airlines occupying quadrant D have high status and low quality of service. This is unlikely as most customers demand high quality of service despite paying less, and the airline will therefore have to achieve extremely high levels of satisfaction on other key attributes not portrayed on this particular comparison of attributes (say personalized onboarding, shorter waiting times, better luggage allowances, and other highly rated product and service attributes).

The orange dots on the perceptual map of airlines in Australia and New Zealand (**Figure 10**) indicate that *Qantas* and *Air New Zealand* are perceived as offering high-quality service and in-flight food and have achieved a high level of status in the minds of consumers in that region [79]. The red dots in the top right corner, adding *Emirates* and *Cathay Pacific Airlines*, indicate that a study among international students at a university in New Zealand added two airlines that are not normally seen as Australia/Pacific airlines, to the perceptual map. This study indicates that "real-world" surveys of target segments of consumers bring their unique perceptions of their own rankings into a brand's perceptual map. Probing questions indicate that students often fly from New Zealand to their home countries (China, Japan, Saudi Arabia) using *Emirates* and *Cathay Pacific* and these airlines are ranked higher in status and quality of service than the best Australia/Pacific airline brands.

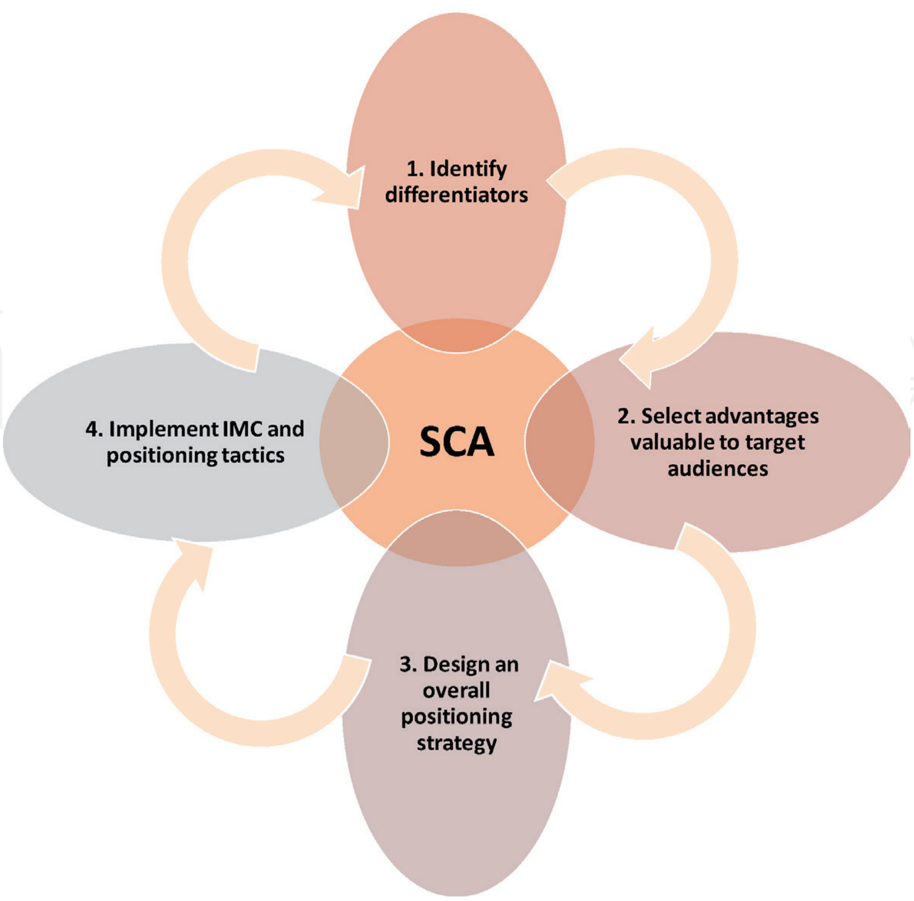


Figure 13.
Four iterative stages in creating a positioning strategy.

Marketers should take from this that it is really important to survey real consumers and current customers to see what the true current reality looks like (**Figure 14**).

The cluster in quadrant B indicates that there is very little differentiation in either food quality or status of the six airlines competing in this space. Although *Jetstar* is perceived as of higher status, consumers' perception of its service and food quality is barely different from *Fiji Air*. So, should *Fiji Air* decide to improve their service and food quality substantially, they may become a threat to Jetstar's position in the marketplace—if all other attributes stay equal [79].

Students of marketing communications and SMP might ask: How many differences should a brand promote to attract a specific market segment or segments? Is it not confusing when a brand promotes several differences for the same product-service combination? For example, a shampoo by *Schwarzkopf* offers benefits such as treatment for dandruff, softening hair, adding gloss and shine, reducing breakages, and maintaining highlights or artificial color [80]. Clearly some customers would want all these benefits. The challenge though is for the brand to decide how to deliver on all four product benefits, without confusing the brand positioning. Should the brand consider just promoting one or two or three of these benefits? Should *Schwarzkopf* focus on one benefit per target audience, for example, just concentrate on adding gloss to highlighted hair, thus focusing on consumers who have their hair colored regularly. Or should the brand only focus on one offering towards consumers with dandruff problems and another on consumers with color-treated hair? Should these feature as separate benefits offered to separate target audiences? Should all the be combined and risk loss of clear positioning, but gain a wider appeal to diverse target audiences?

A brand's value proposition is a clear statement that explains what benefits the brand provides for who and how the brand does it uniquely well. It describes the target buyer, the pain points it offers solutions for, and why the brand is better than any competitive substitutes or alternative solutions [81].

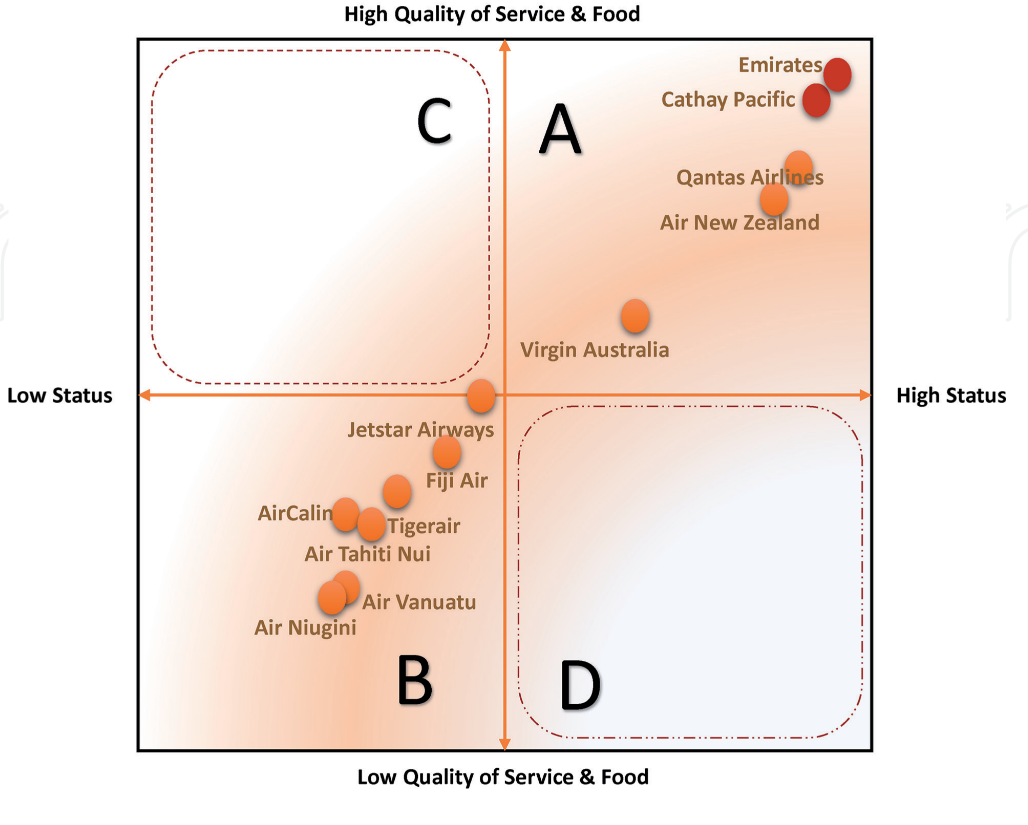


Figure 14.
Perceptual map of Australia/Pacific airlines 2018 (source: world airline awards [79]).

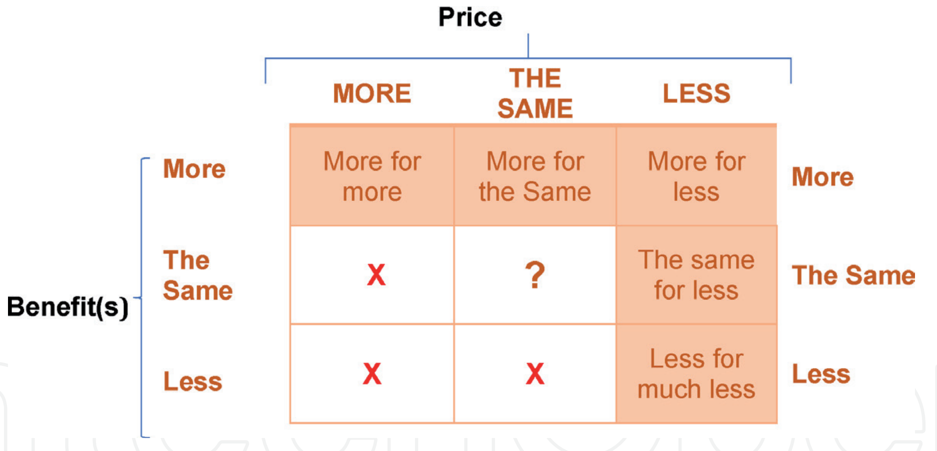


Figure 15.
Various winning and losing differentiating strategies.

> *"The full mix of benefits a brand offers to a range of segments is called the brand's value proposition".*

Some examples of carefully crafted, single-sentence statements by brands are *Lyft,* "Rides in Minutes"; *Budweiser* beer, "The Great American Lager"; and *Walmart*, "Save Money. Live better." According to scholars, there are only five combinations of benefits and price combinations which are "winning value propositions," namely, offering more value (benefits to the customer) for a lower price (more for less strategy) or offering more value for a higher price (more for more = luxury and top-tier products at a higher price tag, e.g., *Louis Vuitton Bags*) or more value for the same price (more for same = comparable product quality but at a lower price, e.g., *Lexus* versus *Mercedes*) or the same value but for a lower price (same for less = or lower-tier brand such as *Maybelline* as a *L'Oréal*) or fewer benefits for a much lower price (less for much less = discount store or every-day-low-price stores such *Pak'nSave, Checkers Warehouse stores*, or *Formula1 Hotels*). Other alternatives on the price/benefit matrix are losing value propositions [82, 83]. (See **Figure 3** for the winning value propositions highlighted in orange. Losing propositions are marked with a red X) (**Figure 15**).

3.5 Implementing MSP: monitors and controls of segments

According to Consulting Group Symmetrics [84], a market segmentation strategy should answer five key questions:

1. What markets do we pursue?

2. Which customers do we target?

3. Which marketing and sales channels fit with how our customers buy?

4. How do our offerings fit with our markets and channels?

5. What is our unique value proposition to each target customer?

From this chapter, it is clear there are many market segments a particular firm can profitably pursue. So, marketers have to carefully define which offerings and messages most likely to resonate with their target markets and differentiate the firm from the competition. So, conducting highly focused competitor analyses regularly is a STP imperative. These competitor analyses are aimed at finding ways to counter or improve what does or does not work, to guide business decisions regarding redefining, contracting, or expanding target markets. Marketing managers (including sales, PR, sponsorship, advertising, management) need to monitor if the STP plans work continually. Firms need to measure, monitor, and track your key performance metrics via weekly, monthly, and quarterly reports (also called dashboards of big data) to ensure mid-course adjustments to strategies, tactics, and the use of marketing and sales resources. Consultants Tracey and Wiersema [85, 86] suggest that firms can deliver superior value to their target segments, by following three value principles: (i) *operational excellence* which delivers superior value by leading price and convenience; (ii) by tailoring products and services to exactly match targeted customers' needs termed *customer intimacy,* responding quickly to changing needs; and (iii) by offering a stream

Segments or markets	Market share (revenue %) (RMS)	Number of sales or gross sales revenue by market segment as a % of total market sales or size
	Relative market share (RMS)	Compare market share between top 5 competitors
	Competitiveness (comp)	% customers for whom the firm is the first choice supplier or % market sectors in which the firm is the first choice supplier
	Market contribution (MC)	Measure concentration, growth, and trends
Orders	Market penetration (MP)	Numbers of orders (per segment) as a percentage of total orders' overall categories
	New product adoption (NPA)	% of sales turnover that is generated from new products/services in a given time period OR the % of orders that is generated from new products/services in a given time period
	Customer relationships (CRM)	Customer contact, e.g., number of contacts between staff and key customers. This provides an indication of the strength of the relationship being developed in the segment
	New customer acquisition (CU)	Number of new customers over the past year as a % of a number of customers in total or value of new customer sales as a % of total sales
Customers	Customer experience index (CXI)	Combine various CX values to the firm such as satisfaction, retention, and referrals
	Share of wallet % (SoW)	The firm's share of addressable spent by customers in the segment
	Customer loyalty % (CLTV)	Quantify from an aggregation of loyalty measures such as repeat purchases, the number of different products purchased, relationship duration, and loyal customers
	Returns per customer per segment (RoR)	Average ratio of returns per customer over a specified period: 30/60/90 days

Channels	Expense per revenue % (E/R)	Expense and revenue of each channel
	Channel mix % (CM)	Channel concentration and growth trends
	Channel performance/plan (CPP)	Channel performance vs. budget/forecast/event/plan
Offerings	Offering %	Year-over-year performance of each offering (product/service)
	Profitability % per offering (P/O)	Realization of value message in the profitability of purchases
	Revenue % of new offerings (R/NO)	Use period of a typical life cycle of a client (can be <1 year)
Unique value proposition	Win ratio % (wins/C)	How many new clients or $ do we win?
	Competitive replacement % (CR)	Are you able to displace the competition?
	Margin % trends (margin T)	Gross, operating, and net value

Table 3.
Quantitative measure of segmentation success.

of innovative, leading-edge products and services through relentless pursuit of new solutions relevant for the firm's focus segments, labeled *product leadership*. An example of operational excellence (lowest net-land cost) and customer intimacy excellence comes from office stationery supplier *Staples USA*. This chain focuses on a particular segment, namely, SMEs with fewer than 50 staff, and builds customer intimacy through loyalty cards and a club. Every time buyers use the card—which they need to access the discount—*Staples* capture data that allows the firm to monitor changing needs and applications and respond immediately to innovate to satisfy the market.

Constant evaluation and re-evaluation of each segment ensure that the firm does not waste resources on segments that will not value your firm's offerings or do business with the brand. Adept markets are clear on the need to match the characteristics of the marketing segment to the qualities of their product offering(s) and the abilities of the firm to achieve sales performance objectives through a segmented marketing plan (STP).

There are both qualitative and quantitative tests to select, monitor, and control the MSP. Qualitative tests relate to the alignment with the firm's vision, mission, and competitive positioning. Further qualitative tests relate to the four main questions, namely, "Do consumers in the segment (in both B2C and B2B segmentation plans) see our firm, its brand, and the products in the same light as the firm does, and vice versa?" In other words, "Do customers' comments, reviews, responses, and other forms of communication (WOM) add to (or distract from) the unique positioning the firm envisages for its UVP and brand positioning? Are the selected marketing (sales, distribution, and communication) channels well aligned with customer channel preferences? A fourth question about the selected marketing and communication channels is: Can the channel handle consumer demands and two-way dialog?"

In terms of implementation, marketers need to develop and monitor the firm's ability to communicate the desired positioning of the firm to target customers. Also, controls need to establish if all the firm's efforts in the marketing mix support the MSP and positioning strategy (and vice versa).

Basic customer/market/sales quantitative performance and process measures applied to the firm's targeted segments can provide measurements and an indication of success. Quantitative measures are specific to a particular firm, its selection of target segments and the firm's channels, and sales and distribution practices. Further quantitative measures to determine segmentation success are set out in **Table 3** and cover the four areas of markets, customers, channels, offerings, and value propositions.

3.5.1 Measure success to control innovation and reset targets

Set out below are some of the measures that are relevant to determine if a target segment is viable and likely to generate profitable business in the long term. These measures link well with the MADD MACC model discussed earlier and are used by marketers to assess their segmentation and target market plans.

1. *Responsiveness*: homogeneous, unique response within a segment, heterogeneous between segments.

2. *Actionability*: segments and firm's goals/competencies should match.

3. *Substantiality*: segments should be large enough.

4. *Identifiability*: easily measurable segmentation variables.

5. *Accessibility*: effective promotional/distributional tools needed.

6. *Stability*: composition of segments should not change rapidly.

4. Conclusion

Market segmentation will become more complex and more varied as the solutions consumers need and are able to demand become more easily available and more globally diverse. Understanding the challenges, opportunities, and the complexity of factors to consider will therefore become even more important to marketers. Unfortunately there is no one recipe to suit all products, all firms, or even similar segments. The success of marketing interventions is likely to depend on marketers' ability to gather consumer insights, firms' ability to adapt and innovate fast to become and remain the provider of preference, and constantly collaborating with various stakeholders to co-create solutions of value to target audiences. With a marketplace of more than 7 billion people, constant innovation will be the only constant, and marketers will constantly need to find new ways to understand, influence, and provide value to a wide range of divergent markets.

Appendix: list of brands in alphabetical order

Advil	*L'Oreal*
AirBnB	*Lyft*
Amazon	*Maybelline*
Android smartphones	*Mercedes*
Apple	*MSC Cruises*
BMW	*New World*
Boeing	*Orbit Travel*
BTS	*Pack'n Save*
Budweiser	*Pam Golding*
Coca-Cola	*Pepsi*

Colgate	*Pinterest*
Constant Comedy.com	*Prosecco*
Cosco	*P&G*
Dell	*Qantas*
DeSpar	*Radian6*
Disprin	*Range Rover*
DHL	*Ray Ban*
Dreamliner	*Ray White Properties*
Dry Bar Comedy	*Red Bull*
Etsy Inc.	*Reuters*
Facebook	*Salesforce*
FedEx	*Samsung*
Flickr	*Schwarzkopf*
Flight Star	*Sony, Sony Walkman*
Foodstuff	*SPAR*
Gap NY	*Staples USA*
GE	*Tesco*
General Life (Insurance)	*TradeMe*
Google; Google Plus, Google Circles; Google Analytics	*TV10*
Hallmark	*Twitter*
HBO	*Tylenol*
HSBC Banks	*University of Sydney, Australia*
Instagram	*VOLVO*
K-Pop	*Vox News*
Lacta	*Walmart*
Levi's	*Wendy's*
Lexus	*WriteWell*
LinkedIn	*YouTube*

Author details

Rouxelle de Villiers*, Pornchanoke Tipgomut and Drew Franklin
Auckland University of Technology, Auckland, New Zealand

*Address all correspondence to: rdevilli@aut.ac.nz

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